

Corporate Social Responsibility with Special Reference to a Life Assurance Society

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degree of Master of Business Science*

UNIVERSITY OF CAPE TOWN

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DEDICATION

THIS THESIS IS AFFECTIONATELY DEDICATED TO
MY PARENTS

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INTRODUCTION

This thesis deals with the topic of corporate social responsibility and represents an effort to treat it as a management issue in the context of a large insurance society.

Today we live in a world of increasing complexity, growth and change. Attempts to gain a greater understanding and insight into the functioning of our world have led to the development of an analytical method called the 'systems approach', whereby instead of explaining the whole in terms of its parts, the parts are explained in terms of the whole.

The systems approach is a holistic method of analysing systems. The outputs of one system form the inputs to another. The analysis of any system must deal with the twin phenomena of complexity and interrelatedness. Each system is in itself quite complex but nevertheless has many interrelated elements organised to achieve the set objectives of the system.

The systems approach is potentially useful when considering the complexities of a modern business organisation. Indeed, the conscious recognition of the business organisation as a dynamic whole brings with it the awareness of the difficulty of the managerial process. Systems thinking compels management to realise that their organisation is only a subsystem of a larger system - the society whose mandate legitimises their organisation's purpose and existence. The organisation's outputs are its inputs to the society, and vice versa. This interrelationship imposes certain obligations and restrictions on the manner in which the organisation conducts its business to ensure the increased well-being of the society as a whole.

Traditionally business was primarily viewed as providing goods and services and thus was expected to operate at all times within the law and attempt to maintain a satisfactory level of profitability. For some time now, it has also been expected to engage in a 'moderate' amount of philanthropic activity. However, during the late 1960's and through the 1970's the notion of the responsibilities of business has changed quite dramatically. The pressures and demands on business accelerated very sharply necessitating that the modern organisation strives for certain 'social goals and objectives', the attainment of which would lead to the enhancement of the quality of life of the society in which it operates.

This study sets out to determine how the largest life assurance society in South Africa, Old Mutual, has reacted to these changes and pressures, and what social problems are becoming its prime concern.

To achieve this objective, the study was divided into two separate but mutually interdependent parts.

Part One offers the required theoretical background to systems theory and its application to the management of a corporation. It describes and analyses Old Mutual's planning process, together with the processes of goal setting and profit maximisation, in terms of systems thinking.

Old Mutual can be seen to be a partially open and partially closed system buffeted by dynamic environmental forces to which it has to adapt on a continual basis. There are the demands of society for inputs other than the goods and services which constitute its major economic inputs into the system. A detailed study of Old Mutual's present planning framework makes it possible to determine to what extent Old Mutual acknowledges these demands in terms

of what can be called its social responsibility plans, objectives and programmes.

Further concurrent inputs into the business environment which could have a direct effect on an organisation's social policy formulation are the personal moral or ethical viewpoints of its individual managers. Hence the detailed study of ethics and its relationship to corporate social responsibility.

The theoretical background to the concept of social responsibility as well as the potential areas of social concern to corporate decision-makers are presented. A model is also examined which describes the process of institutionalising the social responsibility concept.

The problems associated with measuring the efficacy of social programmes are outlined, and the usefulness of a corporate social audit as a tool for gauging the social performance of an organisation is examined. From our analysis of the structure of Old Mutual it appears that little effort has been made to measure the effectiveness of its social programmes.

Part Two forms the body of the empirical research. A postal questionnaire was sent to Old Mutual managers and personnel above a certain grade and was designed to establish their awareness of business ethics, social responsibility, potential areas of social concern, and their perception of Old Mutual's corporate image. The current social policies and programmes of Old Mutual were recorded from interviews with selected senior managers.

Within the framework of the primary objective stated above, the research had the following secondary objectives in mind.

To establish:

1. Whether the concept of social responsibility is accepted by Old Mutual managers, and if so, how it is incorporated into the organisation's philosophy and planning process.
2. Which social issues have become the major areas of concern for Old Mutual managers and hence may influence decision-making in the organisation.
3. The depth and scope of Old Mutual's present social programmes and to correlate these with managers' expectations.
4. The awareness of Old Mutual managers of its social programmes and procedures.
5. The problems that Old Mutual managers see regarding the implementation of a social responsibility policy.
6. How Old Mutual managers view the organisation's corporate image in view of its social practices.

In the light of the findings of this study, certain major recommendations are made. These include the creation of a separate social responsibility department, the conducting of a comprehensive social audit, and the adjustment of Old Mutual's advertising campaign to promote its social image.

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PART I

CHAPTER ONE

1. The Systems Approach to Organisations

Business organisations form complex subsystems of the broader system of society. They constitute the basic units for the conversion of scarce resources into goods and services required by the members of society.

Each organisation is buffeted by a myriad of demands and faced with the daunting task of choosing between various courses of action in attempting to comply with society's desires.

The managers of business organisations must take a "gestalt" or "holistic" approach in their perceptions of the role of their organisations or companies as part of the larger system of society. They must realize that as the values and ideas of society are changing, the business organisation must learn to adapt to survive.

Management must consistently be refining and redefining its mission, objectives and its operations to match its fluctuating external environment. Policy decisions must be taken to ensure that plans of action do not become obsolete in the face of rapidly changing environmental forces.

Today the modern business corporation confronts an emphasized challenge to its managerial talents and resources - the call for decision-makers to take special cognisance of their social responsibility. Society's activists require

the corporation to supply more than its traditional contributions. They claim that firms should also take into account people's legitimate aspirations for a better quality of life. This calls for a set of societal objectives to form a basic component of any organisation's planning efforts.

The impact of such forces on the organisation is the prime focus of this study.

In the previous paragraphs, very often the word "system" has been used, and this requires appropriate clarification.

We shall, therefore, consider the basic concepts of general systems theory as applying to business organisations, as a means of introducing the idea of interconnectedness and interaction of the organisation, its components and its environment. Against this background we will discuss the behaviour and decision-making of management in the context of systems.

1.1. General Systems Theory

To gain a better understanding of general systems theory, it is useful to consider its roots and origin⁽¹⁾.

The Ancient Greek philosopher Aristotle had a holistic and teleological view of the world and his statement that "the whole is more than the sum of the parts," is a definition of the basic systems concept which is still valid.

A detailed investigation would show a long list of thinkers, who, in one way or another contributed ideas to what in our times we call "general systems theory".

Christian Mystics - Dionisius the Aeropagite, who introduced the term "hierarchic order," and Nicholas of Cusa are only a few among many contributors to the systems approach. The German philosopher and mathematician Leibniz's "hierarchy of monads" can be seen as an attempt to use a systems structure. Hegel and Marx emphasized the rational structure of thought and the universe it produces⁽²⁾.

The scientific revolution of the sixteenth and seventeenth centuries replaced the descriptive metaphysical conception of the universe epitomised in Aristotelian doctrine, by mathematical positivism or Galilean conception.

The second Maxim of Descartes "Discours de la Methode" was "to break down every problem into as many separate simple elements as might be possible,"⁽³⁾ This, together with the ideas of Galileo formed the new pattern of science - to reduce and resolve complex phenomena into elementary parts and processes.

This method was successful as long as the observed phenomena could be split into isolated causal chains. It did not, and could not apply when living organisms and complex organisations were being studied.

Thus, in the early decades of the twentieth century there was increasing dissatisfaction regarding the "paradigm" of classical science.

It was von Bertalanffy, a biologist, in the late 1920's who expressed the need for a systematic approach, which he called "organismic biology". Once again the Aristotelian philosophy of the whole being more than its parts became the basis for finding answers to complex problems.

Objects had to be viewed as wholes, endowed with intrinsic goals and each part of the whole was interrelated and interdependent.

Von Bertalanffy outlined "dynamical systems theory" and introduced mathematical descriptions of systems properties such as wholeness, sum, growth, competition, mechanisation, finality and equifinality, which he derived from simultaneous differential equations.

He distinguished two broad types of systems:

- i) real or observable, mechanical systems and
- ii) conceptual systems, such as mathematical models of reality.

The concept of general systems theory as a method for viewing the empirical world was adopted by such men as economist Kenneth Boulding, biomathematician Anatol Rapoport and physiologist Ralph Gerard⁽⁴⁾.

Attention flowed naturally to the structure, the composition and the problems of decision-making in business organisations.

Vast growth in size, complexity and diversity of operations of modern management has made the managerial task extremely difficult. Yet, at the same time the effective and efficient execution of managerial tasks is becoming more critical, not only for the firm's success but even for its survival. It is only natural that in the face of increasing responsibilities, management practitioners as well as theorists are attempting to find ways and means enabling them to cope with the growing size and complexity of their operations.

They found such help in the described concepts of general systems theory.

The entire philosophy of this approach places the emphasis on developing a systematic theoretical framework for describing general relationships in the real world.

The distant aim of this discipline is to develop a system of systems which will tie all disciplines together in a meaningful relationship. Models are developed which at present can be applied to many systems - be they physical, behavioural or social - in an effort to gain a better understanding of the complex relationships existing in these systems as well as their interrelationships with their environments. This would consequently lead to a better and more effective decision-making process.

1.2 Systems Definition

Schoderdek⁽⁵⁾ defines a system as:

"A set of objects, together with relationships between the objects and between their attributes, connected or related to each other and to their environment in such a way as to form an entirety or whole."

Others like Ackoff⁽⁶⁾ define a system as:

"A set of interrelated elements. Each of a system's elements is connected to every other element, directly or indirectly. Furthermore, no subset of elements is unrelated to any other subset."

Interpreting the available definitions the whole concept of systems thinking is found to revolve around the idea of the interrelatedness, interdependence and interaction of the system's elements in pursuit of some predetermined common objectives.

1.3. System Characteristics

One of the most succinct expositions of the characteristics of basic systems has been proposed by Churchman⁽⁷⁾. He outlined five fundamental properties of the system.

These are:

1. The objectives of the total system and specifically the measure of performance of the system itself.
2. The system's environment.
3. The resources of the system.
4. The components of the system.
5. The management of the system.

These components will be discussed in the required detail.

1.3.1. Objectives

Objectives of the system refer to the goals or ends towards which the system tends. Therefore, goal seeking or teleology is a characteristic of systems. It is usually not very difficult to determine the objectives of mechanical systems. However, the same does not apply to human systems. In this case a distinction must be made between the stated objectives and the real objectives of the system. The test to distinguish the real from the merely stated objective is referred to as the "principle of primacy" - will the system knowingly sacrifice other goals to obtain the stated objective? If the answer is yes, then the stated and real objectives are identical.

Furthermore, objectives must be quantified in some manner, otherwise it is impossible to measure their attainment and the performance of the total

system.

Churchman also emphasized that since objectives are only achieved through the performance of various activities, it is necessary to examine both the manifest and the latent functions of any activity. Manifest functions are the intended and recognised consequences of certain actions; latent functions are the unrecognized and unintended ones.

1.3.2. Environment

The environment constitutes all that is "outside" the system and its two features are:

- (a) the environment includes all that lies outside of the system's control. The system can do relatively little or nothing about the behaviour or characteristics of the environment.
- (b) the environment determines to some degree both the objectives and performance of the system.

These two features are present simultaneously.

As indicated above, implicit in the definition of the environment are the fundamental concepts of interrelationships, interdependence and interactions of elements so often mentioned by the proponents of systems. It follows logically that the environment acts on the system and that the system adapts or reacts with the environment.

1.3.3. Resources

Resources are inside the system and include all the things the system can change and utilise to its advantage. They represent the means available to the system for the execution of the activities necessary for goal formulation.

In a closed system all the resources are present and since no additional resources are inputted, the principle of entropy applies. On the other hand, in an open system additional inputs of resources and energy can enter the system.

1.3.4. Components

These refer to the mission, jobs or activities the system must perform to realise its objectives. By analysing the missions or activities of the system it is possible to estimate the effectiveness of the whole system.

1.3.5 Management

There are two basic functions in a system:

- a) planning the system, and
- b) controlling the system.

Planning involves the scanning of the environment, the setting of goals or objectives and the allocation and utilisation of resources in the system's attempt to achieve its objectives.

Controlling involves the monitoring of the execution of all plans. In any open or partially open system, change is inevitable and hence it is essential

for managers to periodically review or reevaluate plans. This implies the need for adequate informational flows or feedback critical to the successful performance of the system.

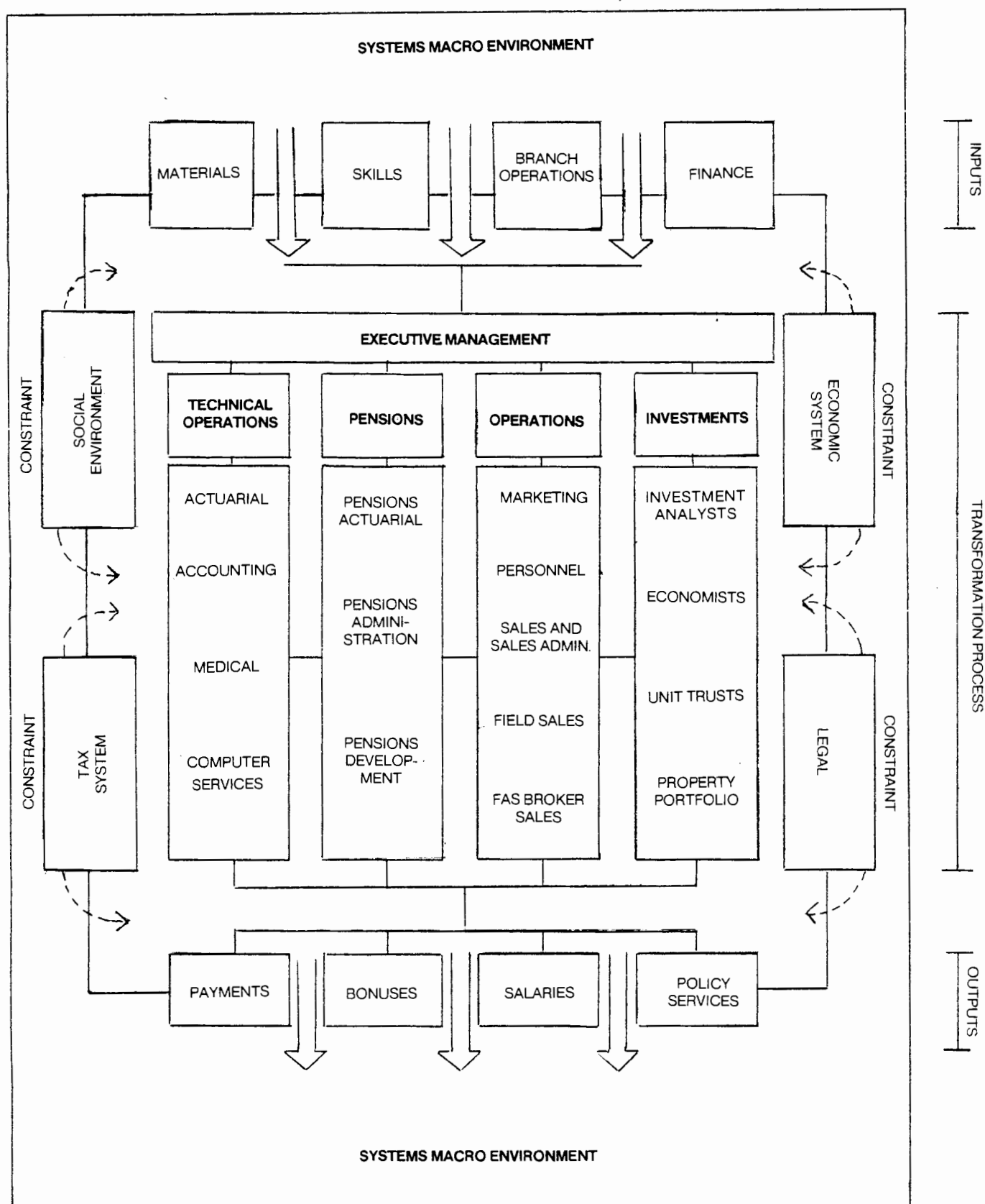
1.4. The Business Organisation as a System

In broad terms the business organisation can be considered as an input/output system - converting resources/inputs into goods and services/outputs.

A schematic representation of an insurance society as a composite system is illustrated in Figure 1.1 below, and discussed in the following sections.

FIGURE 1.1.

A SCHEMATIC REPRESENTATION OF A LIFE ASSURANCE SOCIETY'S HEAD OFFICE AS AN OPEN SYSTEM



The organisation's macro environment is society at large, which is defined to include the competition, government, the general public, the media, power groups, the stock exchange, policyholders and any other groups of people or institutions which may influence the organisation's performance.

The boundary separating the insurance society from the macro environment is permeable and this is indicated by a broken line. There are continuous interchanges and flows between the environment and the organisation as a composite system.

The constraints imposed on the insurance society be they economic, social, legal or regulatory in character affect the Society's performance and impact on its decision-making processes. These are shown impinging on the boundary of the organisation.

Inputs into the system may take the form of money, skills, materials and information. They provide the resources for the organisation's operations and are described in the necessary detail below.

- (a) Branch office operations - the head office provides the technical expertise and knowledge to back up the field operations. Computer facilities, printing requirements, personnel training courses, actuarial services and pension fund valuations are provided on request.
- (b) Skills - as a service industry, specialists in various fields are essential. These specialists may range from computer analysts, investment analysts, accountants and actuaries to medical officers and master printers.
- (c) Finance - large amounts of premium income, pension contributions

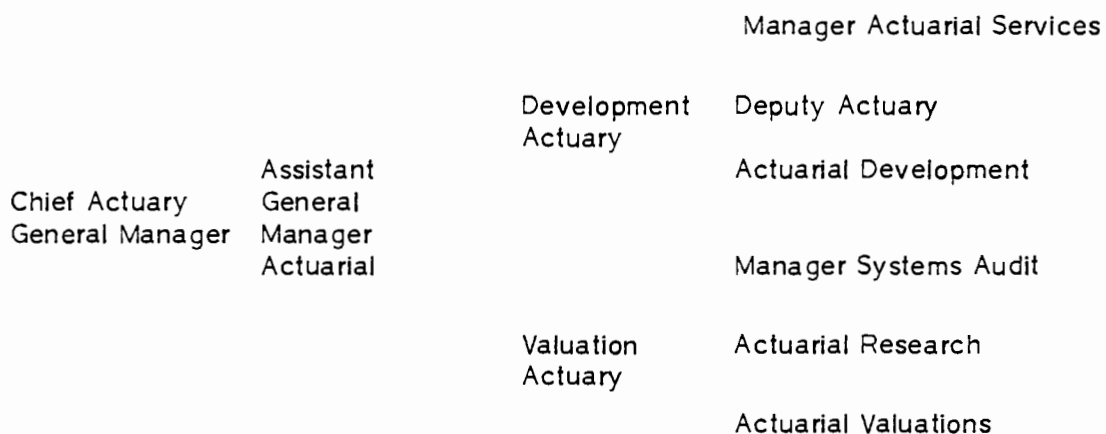
and rents are continually entering the system. These monies must be utilised to achieve high rates of return to ensure maximal bonuses and financial safety for policyholders.

- (d) Materials - all companies need raw materials and equipment to function. Raw materials include such items as stationery, office equipment, computer hardware and motor vehicles.

The transformation process is that which converts inputs into outputs. Figure 1.1 shows that the transformation process in an insurance society is very complex because all component processes are interconnected and interrelate. It is the responsibility of the executive managers to co-ordinate and control these processes.

In Old Mutual the illustrated processes are of four broad categories:

- (a) Technical operations - these include the actuarial, accounting, medical and computer functions. Within each function there is an appropriate hierarchy of command and subdivision of labour. For example, the actuarial sector is organised as follows:



[The grading system for Old Mutual personnel can be found in Appendix 1-A]

- (b) Pensions - the administration and the valuation of the soundness of pension funds form an integral part of Old Mutual's operations. Group life assurance and the provision of pension benefits have become widely accepted in salary remuneration packages in most industries. Old Mutual's growth in premium income from group business as stated in its 'Report of the Society's Activities for the Year ended 30th June 1981' has exceeded thirty percent per annum compounded annually from the 1971 figure of R26 579 000 to R381 699 000 in 1981. This growth has necessitated the wide use of computers to handle the increase in the volume of pension work, especially for the actuarial and administrative functioning of the funds.
- (c) The operations sector includes broker sales, field sales, administration and the marketing function.
- (i) In Old Mutual the broker sales division provides logistic support to insurance brokers. This support includes sales promotions, liaison with the South African Permanent Building Society and the collection of premiums.
- (ii) The field services division is divided into regional geographic units and the sales of policies are achieved through individual insurance representatives. Another function performed by this division is basic and advanced sales training.
- (iii) The administration division includes:
- the personnel function which is responsible for manpower development, training and evaluation.
 - policyholders services such as underwriting, new business services and premium collection services.
 - corporate services include communications, the mail and transport department, the printing works, sports and

recreational facilities and the management library.

- (iv) The marketing division is concerned with product development, advertising, public relations, donations and marketing research.
- (d) The investments division - Old Mutual as an insurance society is constrained by the Insurance Act of 1943 (as amended) to invest in certain low risk securities. These securities usually have low yielding returns and consequently Old Mutual cannot optimise its total investment potential.

The investment division at Old Mutual broadly consists of:

- (i) a property sector dealing with property administration, maintenance, mortgages and property research and investment.
- (ii) economists who conduct economic research.
- (iii) equity research and portfolio investigation management.
- (iv) unit trust management.
- (v) external investments management, whose function is to investigate Old Mutual's investments outside South Africa's geographic borders.

Outputs in the case of an insurance society can be extremely diverse ranging from payments of claims and annuities, employees' salaries and wages, investment advice and purchase decisions, to declaration of bonuses for policyholders and donations to educational and charitable institutions.

1.5. A Model of the Business Organisation as a System

Models have been developed which at present can be applied to many systems be they physical, behavioural, mechanical or social in nature. These models help to gain a better understanding of the complex relationships

existing in these systems as well as their interrelationships with their environments, and ultimately should lead to a better and more effective decision-making process for the systems.

One of the most comprehensive interpretations of systems is the model of the business organisation presented by Petit⁽⁸⁾, who draws on the writings of other experts who describe the firm to be either:

- a) a closed system (Machlup⁽⁹⁾)
- b) an open system (Boulding⁽¹⁰⁾, Chamberlain⁽¹¹⁾, Alchian⁽¹²⁾)

1.5.1 The Business Organisation as a Closed System

The traditional theory of the firm treats the business organisation as a closed and deterministic system. It assumes perfect information, homogeneity of products and uses marginal analysis to predict the equilibrium supply and demand points of the firm. Closure of the system is ensured through the use of the concept of "ceteris paribus."

There are definite discrepancies between reality and the theory, which is primarily designed to explain and predict changes in observed prices and conditions (changes in wage rates, interest rates and taxes.) The closure of the system however offers the advantage of presenting a degree of understanding, prediction and control in the firm. If the present state of the system is known, its next state can be determined. This implies that the system can be rationally manipulated, where rational behaviour is defined as selecting the best means to accomplish set goals.

1.5.2 The Business Organisation as an Open System

Other economists have taken the view that the firm is an open system reacting and adapting to opportunities and threats in the environment.

Employing the concept of homeostasis Boulding⁽¹³⁾ considers the firm to be an adaptive system. When the equilibrium is disturbed by some environmental elements the internal forces return the firm homeostatically to a new equilibrium.

Knauth⁽¹⁴⁾ considers the maintenance of the firm's market share or trade position as the most vital element for survival. When the market share diminishes, homeostatic forces lead to a return of the equilibrium position.

Chamberlain⁽¹⁵⁾ uses the idea of bargaining procedures to show how the firm alters environmental impacts to achieve its objectives of balancing costs and revenues and ensuring a satisfactory profit.

Alchian⁽¹⁶⁾ makes use of "viability analysis" to show how the firm reacts under uncertainty. The firm will consciously or unconsciously adapt or adopt the changing environmental conditions to survive. Adoption occurs when the firm accidentally makes the correct choice given the environmental situation. Adaption involves the imitation of successful firms.

The above theories demonstrate three basic points:

- (a) there are uncontrollable and unpredictable elements in the environment which affect the firm

- (b) the firm strives for stability and survival
- (c) complete rationality and maximisation of profits are not feasible.

1.5.3 The Business Organisation as a Composite System

According to Petit's⁽¹⁷⁾ interpretation the firm can be considered as operating in an environment that does not fully disclose all the alternatives available, nor is the firm capable of gathering all the relevant information to predict the consequences of alternative courses of action.

To improve on this situation Cyert and March,⁽¹⁸⁾ in their behavioural theory of the firm state that to operate with a degree of rationality the business organisation must develop processes for scanning the environment, learn from experience which decisions are good or bad and then decide upon courses of action. They regard the functioning of the firm in an uncertain environment as a highly complex process. If the organisation attempts to face all the uncertainty it will be overwhelmed. To operate with a degree of certainty the firms decision-makers must construct artificial barriers to reduce the number of variables to be considered in their decision-making.

This idea is identical to Simon's⁽¹⁹⁾ theory of bounded rationality.

Since all variables are not known, complete rationality and maximisation of profits, by definition, are impossible. The firm interpreted as a composite system is partially closed and partially open.

The first to propose the structure of the firm as a composite system was Talcott Parsons⁽²⁰⁾, who used a structured pattern of three levels:

- (a) The technical level is the subsystem that is concerned with the actual production and distribution of goods and services which constitute the firm's output. The problems encountered are technical in nature imposed by the requirements of the task which call for the efficient production of goods and services in a rational way by applying the appropriate techniques and technology.

This technical level is furthest removed from the uncertainties of the environment and consequently it has the highest degree of closure.

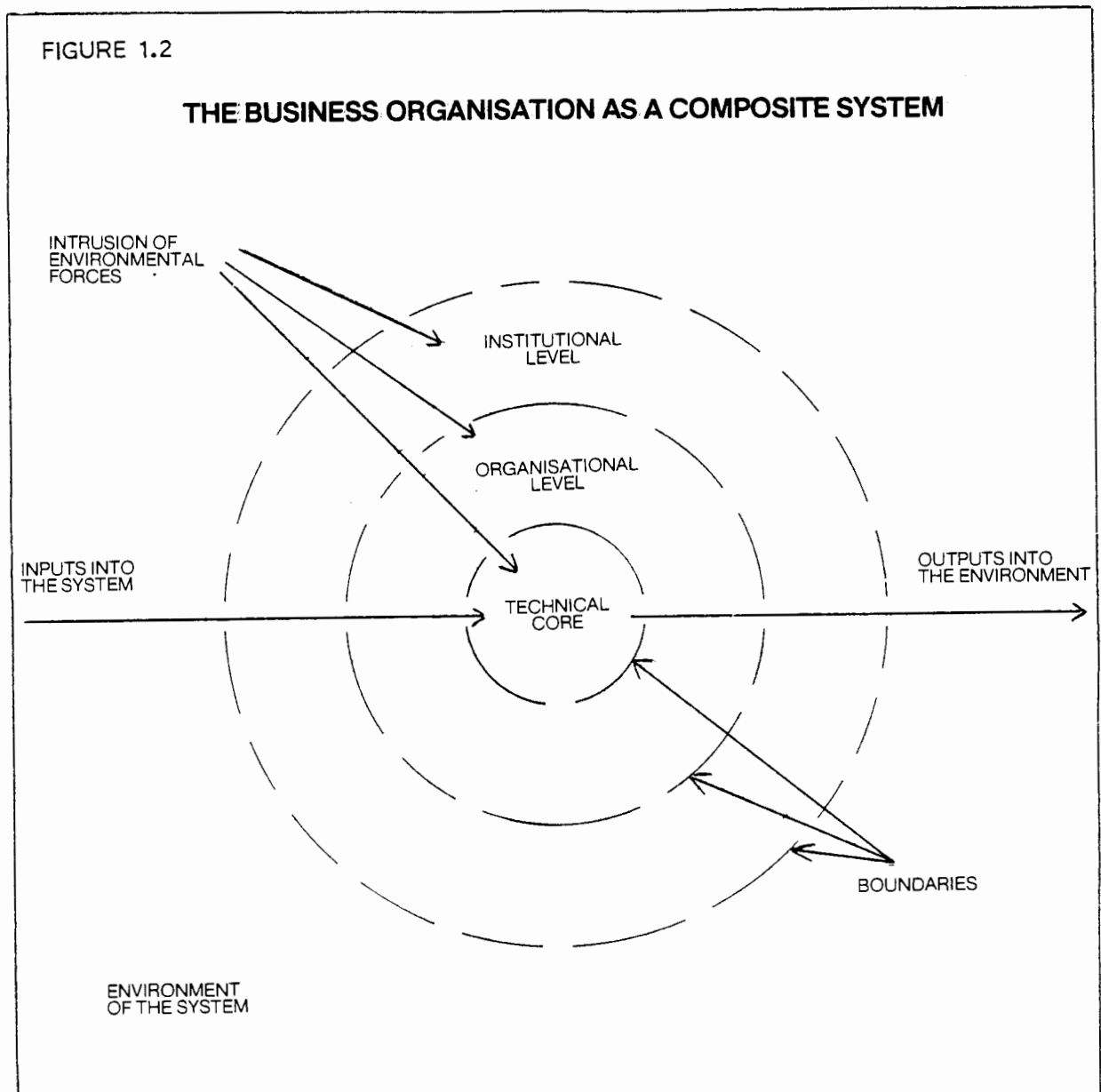
- (b) The organisational level controls and co-ordinates the allocation of resources to the technical level, maintaining the flow of inputs into the system, determining the scale of operations and establishing operating policies. It negotiates and settles disturbances emanating from the external environment before they affect the operations of the technical level.

- (c) The institutional level is concerned with relating the activities of the firm with those of the environment. It maintains good relations with the government, the public, the industry and general community - any group or institution whose support is necessary for the firm's survival.

Uncertainty is greatest at the firm's institutional level where the firm deals largely with elements in the environment over which it has little or no control (Thompson⁽²¹⁾). The firm is open to the influence of the environment which can change independently of the actions of the organisation.

For the modern firm these intruding forces may constitute, among others, demands that go beyond the pure economic functions of the firm. For

example, demands for social equality, equal opportunity and improved working and living conditions leading to a better quality of life. Thus, the institutional level managers must specialise in dealing and coping with the uncertainty, threats and opportunities presented to the firm.



SOURCE: Thomas A. Petit, "A Behavioural Theory of Management", Academy of Management Journal, December, 1967, p. 346.

Figure 1.2 shows the boundaries of each discussed level. The broken lines indicate the degree of permeability through which external environmental forces may intrude.

The view of the firm as a composite system also permits the classification of managers according to their decision-making behaviour at the three levels.

Figure 1.3. depicts this classification in terms of their tasks, viewpoints, techniques, time horizons and decision-making strategies⁽²²⁾.

FIGURE 1.3 – DIFFERENTIATION OF MANAGERS

TYPE MANAGER	TASK	VIEWPOINT	TECHNIQUE	TIME HORIZON	DECISION- MAKING STRATEGY
Technical	Technical Rationality	Engineering	Operations Research	Short Run	Computational
Organisa- tional	Co-ordination	Political	Mediation	Short Run and Long Run	Compromise
Institutional	Uncertainty Avoidance	Philosophical	Opportunistic Surveillance, Negotiated Environment	Long Run	Judgmental

APPENDIX 1 - A

GRADING SYSTEM FOR OLD MUTUAL STAFF

GRADING SYSTEM FOR OLD MUTUAL STAFF

<u>HEAD OFFICE</u>		<u>FIELD STAFF</u>	
<u>Grade</u>		<u>Status Code</u>	
1	General Manager	1	Manager
2	Assistant General Manager	2	Sales Manager
3 – 4	Divisional Manager	3	Senior Production Manager
		4	District Manager
5 – 7	Assistant Divisional Manager	5	Senior Consultant
		6	Consultant
		7	Representative
8 – 10	Department Head	46	Member of Old Mutual Advisory Service
11 – 12	Section Head	47	Manager Financial Advisory Service
13 – 16	Clerk	48	Senior Broker Consultant
		49	Manager – Brokers
		50	Production Manager

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CHAPTER TWO

2. Planning at Old Mutual

2.1. Introduction

Applying the concept of the composite system to Old Mutual the three levels discussed in the previous chapter can be traced to the following managerial levels:

- a) The institutional level corresponds to Old Mutual's General Management level (the Managing Director, General Managers and Assistant General Managers)
- b) The organisational level corresponds to the Divisional and Regional Manager levels
- c) The technical level corresponds to the Department Heads' functions.

The adaption of a composite system to the dynamic business environment takes place through strategic management. This is defined by Schendel and Hatten⁽¹⁾ as:

"the process of determining and maintaining the relationship of the organisation to its environment expressed through the use of selected objectives, and of attempting to achieve the desired states of relationship through resource allocations which allow efficient and effective action programmes by the organisation and its sub-parts".

The organisation's goal orientated activities should be effected through planning, organising and controlling.

As the systems concept is applied, the traditional function of planning is redefined as systems analysis differs from the traditional approach to planning by applying a different conceptual framework.

The traditional approach is based on inductive thinking while systems analysis - planning according to systems concepts - is carried out using the deductive-inductive approach as illustrated in Figure 2.1. below.

The interpretation of this diagram indicates that, expressed in simple terms, systems analysis is problem orientated and integrates numerous decision-making managerial sub-systems.

At Old Mutual planning in the past had taken the form of management by objectives. Only very recently was this found to be inadequate and at present, attempts are being made to evolve a planning model more in congruence with the requirements of the environment and of Old Mutual's needs. The tasks to be carried out in strategic management are the responsibility of the institutional level managers, as mentioned above.

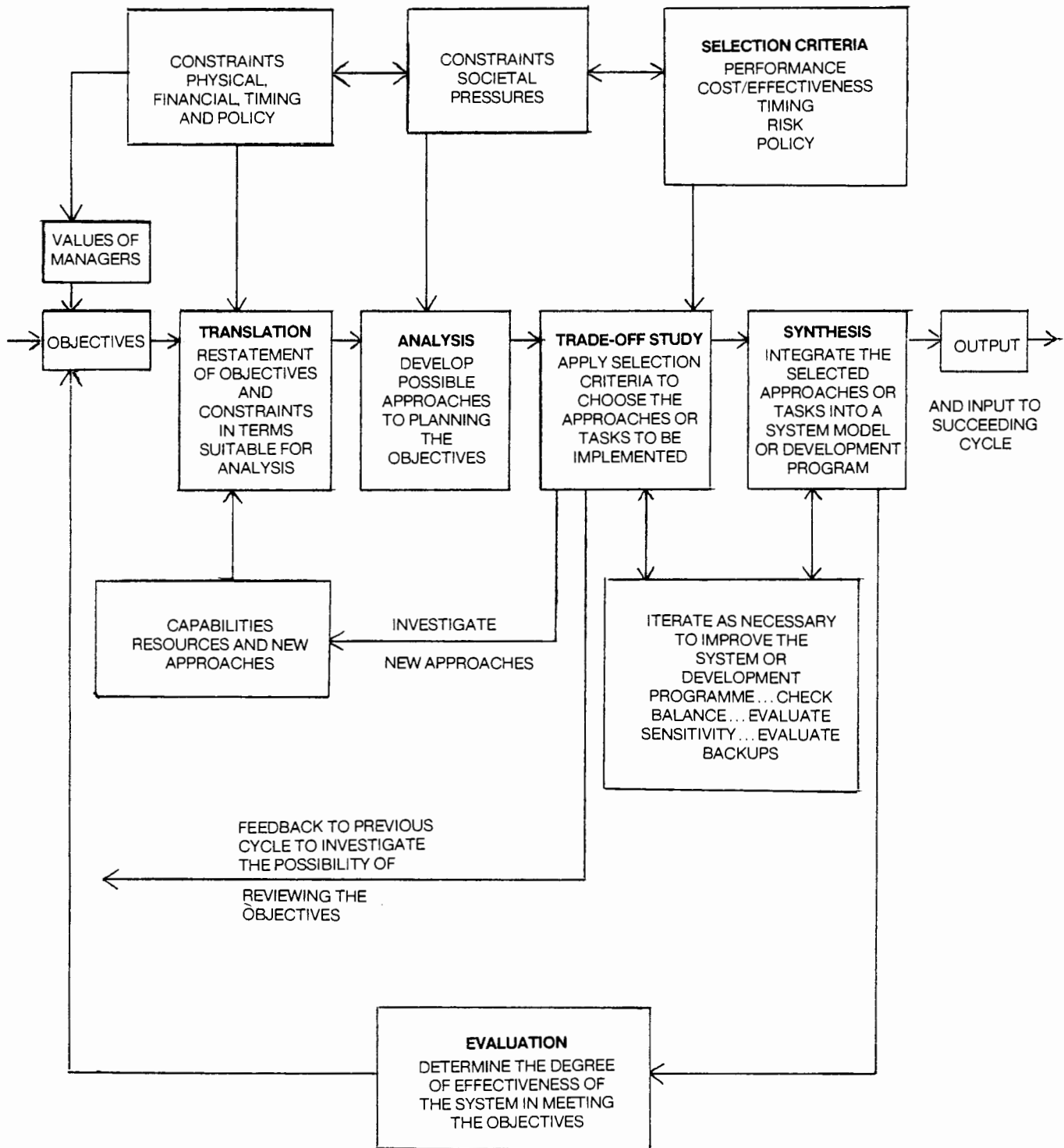
In order to consider the requirements of strategic planning as defined above, it is essential that Old Mutual's planning efforts be analysed in the required detail.

2.2. Corporate Planning at Old Mutual

All corporate planning decisions at Old Mutual are constrained by the fact that the Society is a mutual life office. It thus has no shareholders and belongs only to its policyholders to whom all profits and losses are attributable. The mutuality significantly affects Old Mutual's responses to

FIGURE 2.1.

A MODEL OF SYSTEMS ANALYSIS



SOURCE: Adapted from original figure by P.G. Thome and R.G. Willard. 'The Systems Approach - A Unified Concept of Planning', General Electric Company, Missile and Space Division, 1, No. 3, 1966, p.31, as presented by M. Kabat and M. Fielding, in Corporate Planning in The South African Context, Cape Town: Oxford University Press, 1981, p.98.

the changing environment by forcing it to adopt mainly conservative and low risk profiles on many issues and investments.

It is fundamentally a long-term investor and custodian of its policyholders fund. Its investment decisions are further guided by the necessity to fulfill certain legal requirements covering a range of low risk, low yield investments.

In order to maintain and ensure its competitive position in the insurance industry, Old Mutual's planning efforts must take into consideration various dimensions of its operating environment. These dimensions must be analysed for any future opportunities, threats or constraints that may influence the Society's performance. These dimensions include:

1. The external environment:
 - the economic outlook
 - the political arena
 - social influences.
2. The position of Old Mutual within the insurance industry in relation to its:
 - competitors
 - overall market positions in each market segment
 - cost effectiveness and expense control.
3. Internal operating factors:
 - the Society's operating philosophy and master strategies
 - investment strategies

- financial strategies
- accounting strategies
- marketing policies
- manpower planning
- management information systems.

The results obtained from the analyses of the above factors and premises formulated are discussed at the General Management's "Planning Conference - Strategic Issues". This conference is held in February each year and represents the beginning of the top management planning at Old Mutual. Not all assumptions are written down, but priority issues, for example, the extension of services to include the handling of will and estates and the preservation of pension rights are focussed upon in the light of the information provided by the economic forecasts compiled by the Society's economists. Future directions, goal and preliminary objectives are then established.

From March until July these objectives are submitted to the lower levels of management who are required to comment on their validity. Thus those responsible for the achievement of these objectives are directly involved in the planning process and have the opportunity to negotiate for changes in directions and targets. Once objectives have been accepted by the respective management levels, the Divisional Managers establish their divisional plans and submit them for approval to their General Managers responsible for their division. Once approved, the individual divisional plans are consolidated into the Society's Business Plan.

The accepted divisional objectives are factored into a hierarchy of

objectives for each manager within their own divisions who then have to compile their respective 'Management Function Guides (MFG's). The management function guide is a document explaining why a particular objective is chosen by a particular manager. It helps clarify what is expected from subordinates and from superiors, and the tasks for which each is responsible. An example of an MFG can be found in Appendix 2-A.

The MFG's and the Business Plan are therefore inter-related and complimentary and are used to regularly monitor the results of the planning efforts.

By the beginning of August the Society's plans are presented to the Board for confirmation.

2.3. Development of the Business Plan

The planning cycle of this document is divided essentially into six phases. These are presented below:

PHASE ONE - August to December.

This stage includes the identification of the opportunities and threats in the Society's environment, and the strengths and weaknesses of the Society. Key issues are assigned to groups of task-force specialists for further investigation. For example, a task force would investigate the introduction of advanced computer systems and may even travel to the United States of America to obtain the necessary information.

PHASE TWO - January to March.

Together with conclusions reached from phase one, a review of past performance is carried out, long term objectives are evaluated and new strategies considered. Major divisional problems are then identified. The time horizons considered vary from one to five years, depending on the character and importance of the issues involved.

PHASE THREE - April to May.

During this phase each division has to formulate its operational objectives, and sales budgets are prepared for each market segment.

PHASE FOUR - July.

Finally the projected Business Plan figures are submitted for approval by General Management, before their submission to the Board.

PHASE FIVE - August to September.

This phase involves the updating of the estimates of the Business Plan where necessary, because Old Mutual's financial year is from 1st July to the 30th June and final year end figures are now available.

PHASE SIX - Quarterly Reviews.

Quarterly reviews are undertaken to monitor and control the budgeted and the actually achieved objectives and targets. Variances and deviations from plans are then investigated and the required corrective actions undertaken. Appendix 2-B illustrates the 1981/82 planning timetable.

2.4. Elements of the Business Plan

The Business Plan is considered to be a highly confidential manual by Old Mutual's General Management and consequently accurate figures and details cannot be presented. However, the main components of a typical Business Plan are illustrated below:

SECTION A	<u>Review of the previous years results</u>
A1	<u>General economic and political conditions during the past year</u>
	<ul style="list-style-type: none">- a very short resumé of events, for example mention is made of the inflation rate, the South African budget and the unemployment rate.
A2	<u>Summary of past years' results</u>
	<ul style="list-style-type: none">- the significant changes are highlighted and tables presented in the relevant annexures.- both the achievements and shortcomings are presented.
SECTION B	<u>Outlook for the Life Assurance Industry for the year ahead</u>
B1.1	<u>Political and Social Background:</u>
	<ul style="list-style-type: none">- a continuation of the status quo- new constitutional plans under discussion- White confidence may increase with favourable settlements in neighbouring territories- sanctions, emigration if diplomatic initiatives fail.

B1.2 Economic Background:

- comment on phase of business cycle
- increase/decrease in inflation rate
- redistribution of income towards Blacks will continue.

B1.3 Government Action:

- preservation of pensions legislation
- provision of pension benefits for low income earners
- reduction of Part 1 asset requirements.

B1.4 Implications for the Life Assurance industry:

- in good times it is harder for the larger/safer companies to gain market share
- seek out markets that will gain most from an upturn in the economy, i.e. maize, consumer goods - retail & wholesale
- since the income elasticity of demand for insurance is remarkably high amongst the Black groups, it would appear that the potential for selling insurance to those in this market with increasing incomes is very high. Conversely if the economy turned downwards the high elasticity of demand would make this business particularly prone to lapsing.

B2 Projected Zimbabwean Environment.

SECTION C Old Mutual's Long Term Objectives and Strategy

In broad terms the Society's long term objectives are defined as

growth, profitability and client satisfaction. The Business Plan seeks to define yearly performance targets consistent with these objectives.

C1 Individual Business Objectives and Strategy

C1.1 Growth:

- objective, to gain market share of the recurring premiums paid to the industry
- strategy, to segment the market and adopt segmented premium growth objectives by making maximum use of all marketing channels viz. broker firms and the Old Mutual Financial Advisory service.

The four segments the Society considers in practice are:

- (1) Large premium
- (2) Small premium
- (3) Coloured and Asian
- (4) Black.

The Society has also decided to enter the "Black" market and "Coloured and Asian" segments because of their future potential. This entry into these segments involves an investment of men and money on which the Society seeks to obtain as good a return as possible - primarily by focusing on the upper, and most profitable portions of this segment.

C1.2 Profitability:

The Society's objective is to give good value for money by:

- (a) ensuring effective expense control
- (b) increasing productivity

- (c) maximising its return on investments
- (d) ensuring a suitable selection of risks.

C1.3 Client Satisfaction:

The Society has adopted certain percentage figures for retention of recurring business. Retention is an important measure of client satisfaction.

C2 Group Business Objectives and Strategy

C2.1 - Growth:

The growth objective is to gain market share of the premiums paid to the industry.

The strategy has been to focus the attention of senior personnel on the securing of large schemes, especially investment only type schemes.

New ventures such as Flexipensions and Group Pension Plan, have been developed in anticipation of the tremendous future potential.

C2.2 Profitability:

The Society's objective is to continue to give good value for money by maintaining competitive bonus rates and by ensuring that expenses incurred are within the limits of the fees received.

C2.3 Client Satisfaction:

Client satisfaction is ensured by the provision of personalised and differentiated services to clients combined with reports on investment performance and actuarial matters.

C3 Expense Objectives and Strategies

Expense management is vital to the continued progress of the Society. The expense management system uses as its starting point an estimate of the expense allowance arising from the anticipated business in the ensuring year. Next the expense indices are chosen by management, and self-imposed constraints are thereby determined. The long term aim is to improve the indices from one year to the next.

SECTION D Individual Business

D1 Key Issues:

D1.1 Growth in Market Sphere:

A continued focus on the upper market with an extension of the Financial Advisory Service and broker operations.

D1.2 Service:

Extension of service to include the handling of wills and estates. Continued development of management potential from sales force, broker consultants and Black branches. Improve service to policyholders through the

revision of existing systems. Introduction of new products, e.g. Flexible Linked Retirement Annuities to retain or gain a competitive edge in the market place.

D1.3 Cost Effectiveness:

The operations of the Society must be profitable, so that key issues mentioned above must be achieved in a cost effective manner. The expense constraint must not however, be allowed to limit growth or service and can be attained through:

- (i) increase in business written
- (ii) increase in business retained
- (iii) increase in sales personnel retained
- (iv) better utilization of computer facilities
- (v) reduction in running expenses.

D2 Present Years' Individual Sales Budgets

D2.1 Agency Force:

- focus on growth areas
- stimulate recruitment of quality field staff
- annexures present single premium, submission budgets and the budgeted issue and retention rates.

D2.2 Brokers:

- focus on certain banks
- similar figures are presented as for the Agency Force.

- D2.3 Building Society Business.
- D3 Marketing Plans for the Present Year
- D3.1 Third Party Selling:
- establish a system country-wide to obtain life business from pension fund clients.
- D3.2 Market Research:
- establish geographical areas and market segments where the Society is under-presented
 - continue projects on life assurance buying habits.
- D3.3 All Line Selling:
- with Mutual and Federal should play a greater role in marketing short term insurance.
- D3.4 Black Market:
- develop infrastructure for Black market
 - quality of retention rate.
- D3.5 Other Key Issues:
- (a) Advertising and marketing promotions for field force and brokers.
 - (b) Audio visual presentation campaign.
 - (c) Men's and Women's Forum.
 - (d) Expand multi-line selling.
 - (e) Improve leads system.

- D4 Broker Division:
- systematic training to be carried out
 - several legal assistants to be made available
 - use brokers to reach more lucrative markets.
- D5 Agency Force Key Issues:
- D5.1 Selective Expansion of Field Force:
- recruiting focussed on people who will be able to sell in the markets in which the Society is concentrating.
- D5.2 Continued focus on upper market.
- D5.3 Sales Management Development:
- improve study material
 - succession plans updated.
- D5.4 Expense Management.
- D5.5 Persistency:
- increased persistency means smaller expenses and better premium income figures
 - link bonuses to persistency
 - annexures show relevant figures.
- D5.6 Administration:
- curb premium losses due to paid ups and surrenders
 - ensure staff fully trained.

SECTION E

Group Business

E1 Financial Goals for the Present Year

E1.1 Market Share:

- Old Mutual's market share of premiums received in South Africa is planned to increase by a certain percentage by the end of the year.

E1.2 Premium Income:

- presented in the relevant annexures.

E1.3 New premiums to be negotiated.

E1.4 Benefit payments and expenses.

E1.5 Group expenses and profitability.

E2 Key Issues:

E2.1 The objective is to maintain market share with regard to existing business, but gain market share by attracting new business.

- Introduction of new schemes and systems to handle very small and very large amounts.

E2.2 Computer Developments:

- decentralisation of the data capturing process to improve services and costs.

- E2.3 Larger funds will lead to more competitive pressures.
- E2.4 Investment Services:
- investment performance will be critical
 - give attention to the Society's large guaranteed fund.
- E2.5 To recruit people with high potential, especially actuarial students.
- E2.6 Long term development:
- To ensure that we will be able to meet the needs of the future business environment by studying the build up of resources necessary to keep up with technological developments, and creating the necessary resources when required.

SECTION F South African Investment Background

- F1 World Economic Conditions:
- comment on the business cycle in the United States
 - comment on commodity and gold prices.
- F1.2 South African Economic Conditions
- F1.2.1 The Balance of Payments:
- the surplus/deficit is discussed briefly.
- F1.2.2 The level of economic activity.
- F1.2.3 Inflation:
- a comment on the trend and forecasts.
- F1.2.4 Interest Rates:
- turning points and trends noted.
- F1.2.5 Stock Market:
- the general trends are emphasized.

F1.2.6 Property:

- the trends in the property market are discussed
- central business districts, residential townships, shopping arcades are all considered
- escalation in expenses of running properties.

F1.3 Political caveat:

- the continued political developments in Southern Africa have introduced a level of uncertainty into economic and investment forecasts.
- the economic forecasts are based on no radical political upheavals, oil embargoes or general trade sanctions.

F1.4 Investment Division's Views and Assumptions:

- up to a five year time horizon is presented.

F2 South African Investment Performance

- the actual figures are tabulated for the main fund and Multifund assets.

F3 South African Investment Strategy

General Investment Strategy

The prime determinants of investment strategy for the current year are expected to be:

- (a) a continuation in the increase/decrease in long term interest rates,
- (b) the stage reached in the purchase of gilt requirements,
- (c) a depressed/lively property market,
- (d) a very strong/weak stock market.

Given this environment, attention is then focused upon maximising investment allocations as the above trends indicate.

To ensure that fundamental research into all investment aspects is a continuing project and that it is pursued at the highest quality level.

To find and/or create investment opportunities that will make Old Mutual's investment performance better than that of its competitors.

SECTION G

Technical Services

G1 Medical Division - Key Issues:

- maintain consistency in underwriting practices and procedures.

G2 Actuarial Division - Key Issues:

- concerns actuarial valuations, reversionary bonus rates strategy, research into actuarial matters.

G3 Accounting Division - Key Issues:

- ensure adequate controls are maintained on the operations performed within the Society.

G4 Data Processing Division - Key Issues:

- establish computer facilities for all divisions
- complete fundamental systems
- computer systems introduction is discussed briefly.

SECTION H

General Services

H1 Personnel Division

- advanced courses to develop manpower to be evaluated

- the running of sufficient courses to train future management
- assist all levels of management in recruitment, development, maintenance and effective utilization of the human resources required to contribute to the achievement of Old Mutual's corporate objectives.

SECTION J Society Wide-Key Issues

- the three to four major issues are highlighted, for example in 1978 these issues were:
 - Expense management
 - Data processing
 - Management Function Guides.

As the objective of our research is to define Old Mutual's stance on societal objectives further details of their planning efforts are unnecessary. The analysis of the objective setting phase clearly indicates that no societal objectives, as defined by various authors (Ansoff⁽²⁾, Steiner⁽³⁾) to mean the continued maintenance by the organisation of its social legitimacy, have up to the present time been clearly formulated by Old Mutual in its Business Plan or considered as a strategically important issue.

However, there are mentions made in various sections of the Business Plan on societal problems and two examples are shown below.

- (a) Old Mutual's donations are mentioned under the marketing or public relations sector.

- (b) Only general statements about training appear under the personnel sector - no statements relate to important affirmative action type programmes.

These objectives should be grouped to form a separate component of Old Mutual's objectives in its Business Plan.

For example:-

SECTION X	<u>Societal Objectives</u>
X1	<u>Donations:</u>
	- to various educational and charitable institutions, training colleges, bursary schemes.
X2	<u>Housing:</u>
	- urban revitalisation programmes
	- loans to staff
	- low cost subsidies.
X3	<u>Investments:</u>
	- investments in programmes and schemes that may give short term, low yields but are socially justifiable.
X4	<u>Social Research:</u>
	- research into social problems and their possible impact on Old Mutual.
X5	<u>Education:</u>
	- facilities
	- training of personnel
	- study grants.

X6 Secondment Programmes:

- Old Mutual staff volunteering their services to worthy social causes.

X7 Conferences

- to further the ideals and aims of socially responsible behaviour.

The formulation of this separate section in Old Mutual's planning framework must be considered in terms of the systems approach as previously illustrated in Figure 2.1.

Interpreting this diagram it is apparent that the essence of this framework is its goal orientated behaviour with its continual emphasis on objective achievement. Objectives and goals which have been modified and constrained by the values held by the decision-makers of the organisation are given prime consideration. The importance of the role of profits, and the impact the organisation has on society are noted.

Special attention must therefore be paid to these elements individually.

APPENDIX 2 – A

A MANAGEMENT FUNCTION GUIDE
(M.F.G.)

<u>POSITION</u>	CORPORATE RELATIONS MANAGER
<u>SENIOR</u>	G. GRIFFIN – ASSISTANT GENERAL MANAGER
<u>PURPOSE OF FUNCTION</u>	TO RECOMMEND AND ADMINISTER CORPORATE PUBLIC RELATIONS STRATEGY
<u>OBJECTIVE</u>	TO ASSIST IN PLANNING AND EXECUTING STRATEGIES OF INTERACTION WITH SPECIFIED STAKEHOLDERS IN ORDER TO CREATE A FAVOURABLE CLIMATE FOR THE ACHIEVEMENT OF THE SOCIETY'S MARKETING AND STRATEGIC OBJECTIVES.
<u>PRESENT INCUMBENT</u>	H N GROOM
<u>SUBORDINATES</u>	<p>MANAGER PUBLIC RELATIONS</p> <p>MANAGER PUBLIC RELATIONS</p> <p>MANAGER PUBLIC AFFAIRS</p> <p>PUBLIC RELATIONS ADVISER</p> <ul style="list-style-type: none"> - B A CULLEN - W F VAN EYSEN - L D HARTMANN - MRS A M PIETERSEN

02.06.1982

2. MAJOR RESPONSIBILITIES

To give effect to this purpose the following major responsibilities have been established:

- 2.1. Review and recommend amendments where necessary to Corporate Public Relations Strategy
- 2.2. Ensure that the Public Relations Function is geared and organised to execute the Society's Public Relations Objectives.
- 2.3. Maintain effective Media Relations
- 2.4. Co-ordinate and maintain Stakeholder Liaison Programme with selected stakeholders
- 2.5. Review and recommend amendments to Donation and Sponsorship Policy
- 2.6. Recommend and administer Donations programme
- 2.7. Assist all levels of the Society's staff to execute their Public Relations responsibilities
- 2.8. Contribute through the Stakeholder Liaison Programme to the Environmental Scan.

3. KEY RESULT AREAS

A. PROJECTS for 1982/83

- 3.1. Re-organise Corporate Relations Division
- 3.2. Stakeholder Corporate Image Survey
- 3.3. Stakeholder Liaison Programmes

STANDARDS

Obtain approval by 1.7.1982

Obtain authority by 1.9.1982

- 1. Obtain authority for Micro Computer by 1.8.1982
- 2. Have record system operating by 31.12.1982
- 3. Launch programme in:
 - (a) Agricultural sector by 1.8.1982
 - (b) Group Customers by 1.10.1982
 - (c) Borrowers, Leasees and Investment targets etc. by 1.10.1982
 - (d) Major Individual Business Opinion formers by 1.1.1983
 - (e) Media by 1.9.1982
 - (f) Government by 1.11.1982
 - (g) Defence Force and Police by 1.2.1983
 - (h) Black Governments by 1.2.1983
 - (i) Opinion formers amongst Asians, Blacks and Coloureds by 1.4.1983
 - (j) Friendly companies by 1.8.1982
- 1. Obtain authority for micro-computer by 1.8.1982
- 2. Have programme operational by 1.1.1983

Have mock-up and costs available by 31.3.1983

3.4. Press Evaluation System

3.5. Annual Corporate Social Responsibility Report to major stakeholders

STANDARDS

3.6. Mutualpark Weekly Newsletter

Survey desirability and report by 31.3.1983

3.7. Exposure of Top Management

1. Obtain agreement to hold one H/O Executive Committee Meeting per annum in each region
2. Arrange with Regional Manager concerned a function to follow the meeting
3. Assist Regional Managers to arrange one function per annum to coincide with visit of Managing Director
4. Guests to monthly board lunches to be selected from stakeholder lists.
5. S A B C and (TV) ? Get agreement from General Management for interview retraining and build up contacts.

3.8 Verbal and Visual Presentation Skills Development

Investigate and introduce training course by 31.12.1982

3.9. Practical Guidance to Public Relations for Line Managers

1. Publish a booklet before 30.6.1983
2. Co-operate with Manpower training to incorporate Public Relations skills modules in Sales Management courses

3.10. Understanding Life Assurance and its uses for the public (for use in Young and Black Market) – conclusions by 31.3.1983

Investigate practicability of publishing a booklet

3.11. Old Mutual Economic Monitor

Get agreement to launch by 1.3.1983.

B. ROUTINE ACTIVITIES

3.12. Corporate Public Relations Strategy to be reviewed annually and submit recommendations to AGM (Marketing)

by 31.01.

3.13. Donations and Public Relations Activity Programme

Monitor quarterly to ensure
– within budget
– In accordance with P R strategy

STANDARDS

3.14. "Hot Line" facility and Who's Who

Maintain on-going, update every 6 months

3.15. Media Relations

Ensure that target of 1 visit per month to Mutualpark coincident with a suitable release is achieved

3.16. Press Evaluation System

Monthly report submitted to AGM (Marketing) Improvement over last year?

3.17. Environmental Scan

Contribute relevant material continuously through Stakeholders Liaison Programme

3.18. LOA Public Relations Standing Committee Attend all meetings

3.19. Planning for annual newsworthy events in the Mutual's Calendar

1. List of events to be delivered to AGM (Marketing) by 01.05. each year
2. Strategy submitted to AGM (Marketing) 4 weeks before event
3. Drafts of statements to be submitted to spokesmen two weeks before event
4. News releases to be made in conjunction with spokesmen
5. Reports to be submitted if required.

3.20. Amicus Certus

Monitor six monthly to ensure meets staff expectations

3.21. Brochures and PR Guide

Update and reorder when necessary

STANDARDS

3.22. Nedbank/Old Mutual Budget Forum and Cambridge Scholarship

Manage jointly with Koos de Wet to ensure

1. acceptability to all concerned
2. continued good PR
3. costs adhere to budget

3.23. Interaction with major stakeholders
(Stakeholder Liaison)

(a) Annually

- (i) Recommend stakeholders for special contact programme
- (ii) Recommend Society Personnel to be responsible for maintaining contact with selected stakeholders

(b) At intervals agreed by General Management

- (i) Monitor progress of contact programme
- (ii) through personnel in Division facilitate contact programme

3.24. Liaison and troubleshooting Mutual/Associates

- (i) Regional visits as necessary but not less than quarterly
- (ii) Promote Regional inter-company contact at least quarterly

3.25. Represent Society on Board of Savio Adult Education Centre Report six monthly

Report six monthly

3.26. Represent Society on Management Board of Army News-paper 'Uniform'

Ensure that the subsidy does not exceed budget

3.27. Control Mutual/Nedbank/SA Perm liaison with S A Navy News/ S A Vloot Nuus

- (i) Ensure that budget is not exceeded
- (ii) Good relations with Navy are promoted.

APPENDIX 2 – B

1981 – 82 BUSINESS PLAN PLANNING TIMETABLE

1981/82 PLANNING TIMETABLE

Corporate Planning Cycle

13th February 1981	Second Quarterly Planning Meeting (General and Divisional Management).
23 – 25th February 1981	Planning Conference : Strategic Issues (General Management).
13th March 1981	General Managers' M.F.G.'s
7th April 1981	Assistant General Managers' M.F.G.'s
13th April 1981	Planning Conference: Presentation and co-ordination of Action Plans. (General Management).
21st April 1981	General Managers' Planning Conference Feedback: Direction for 1982.
15th May 1981	Third Quarterly Planning Meeting (General Management).
11th June 1981	1982 Malawi and Kenya Business Plan presented to Board.
12th June 1981	Divisional Managers' M.F.G.'s
24th June 1981	1982 Zimbabwe Business Plan presented to Board in Zimbabwe.
9th July 1981	1982 Zimbabwe Business Plan presented Head Office Board.
13th July 1981	Assistant Divisional Managers' M.F.G.'s
3rd August 1981	1982 Business Plan: (General and Divisional Management).
6th August 1981	1982 South African Business Plan presented to Board.
13th November 1981	First Quarterly Planning Meeting for 1982. (General Management).

1981/82 PLANNING TIMETABLE

	<u>Group</u>
End of March 1981	Pensions Management Meeting.
End of April 1981	Figures available for 3rd Quarter.
Mid-May 1981	Preparation of Sales Forecasts.
Mid-June 1981	Preparation of Business Plan Premium Income figures.
Early July 1981	Pensions Management meeting comment on Business Plan.
End October 1981	Figures available for 1st Quarter.
November (within the month)	Pensions Management meeting.

References Chapter Two

1. Dan E. Schendel and Kenneth J. Hatten, "Business Policy or Strategic Management : A Broader View for an Emerging Discipline", Academy of Management Proceedings, August 1972, p. 5.
2. H. Igor Ansoff, "The Concept of Strategic Management", Journal of Business Policy, Vol 2, No 4, 1972, p.5.
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CHAPTER THREE

3. Organisational Goals and Objectives

Modern business organisations are established to achieve certain identifiable end-purposes, or objectives. This implies that the organisation must have a mission or purpose towards which it strives. The process of goal formulation is used to identify the role and function of the organisation and forms the fundamental cornerstone of strategic planning within the firm. It is a highly complex process.

Various authors differentiate between goals and objectives. Richards⁽¹⁾, Ansoff⁽²⁾ and Hofer and Schendel⁽³⁾ consider objectives to have both a content and level component, while goals are open-ended and set out the broad overall aims of the organisation. Thus goals can only be partially achieved through the attainment of objectives and being open-ended goals always recede. Consequently, objectives can be considered as milestones in the company's progress towards goal achievement.

Ansoff⁽⁴⁾ expresses this similarly in his statement that objectives are:

"decision rules which enable management to guide and measure the firm's performance towards its purpose".

In contrast to this definition, King and Cleland⁽⁵⁾, state that objectives:

"should be broad and timeless statements as opposed to specific quantitative goals, or targets".

The difference in terms used is a matter of semantics.

This thesis will adopt Ansoff's definition that objectives are closed-end purposes, while goals are open-ended statements of intent.

3.1. Objectives' Characteristics

Objectives should possess specific characteristics as suggested by Steiner and Miner⁽⁶⁾, and Granger⁽⁷⁾.

Steiner and Miner⁽⁸⁾ define these as:

- (a) The ability to lead and motivate, and the more concrete and specific they are, the more likely are they to have directive power.
- (b) Objectives should be operational; they should be demanding and require imagination and hard work to achieve.
- (c) Objectives should be understood by those who are to develop means to achieve them.
- (d) Objectives should conform to ethical and social codes accepted by society and by business.
- (e) Objectives should correlate and be mutually supporting.

Granger⁽⁹⁾ adds other dimensions to the above characteristics. According to him objectives should also be:

- (a) Realistic in terms of the internal resources of the enterprise; and the external opportunities, threats and constraints.
- (b) Periodically reconsidered and redefined, not only to take account of changing conditions, but for the salutary effect of rethinking the aims of organisational activities.

These characteristics would be incomplete without including Herbert A. Simon's⁽¹⁰⁾ views that goals may be split up into two types:

- (1) goals – as – objectives, those that have clearly definable and communicable contents.
- (2) goals – as – constraints.⁽¹¹⁾

Simon's statements again illustrate the lack of conformity of definition found in the discussed topic.

3.2. Multiple Goals

The modern business organisation exists in an environment of constant change and to ensure its viability in the future it is necessary for the organisation to adjust itself to these changes. This can only be achieved through explicitly stated directions, which for simplification reasons we may define as the organisation's corporate strategy. The basic components of corporate strategy consist of goals and objectives and specific actions to be undertaken to achieve these objectives.

In the case of a complex organisation no single goal or objective could encompass its total activities. This complexity calls for a hierarchy of goals and objectives⁽¹²⁾ which represents the sum total of tasks the organisation wishes to accomplish. There is no need to emphasize, if the principle of division of labour is applied, that this hierarchy must be consistent in itself. In the modern organisation there is not only a single hierarchy of goals and objectives but sets of them as well, defined usually as multiple goals.

Numerous articles and books exist describing and prescribing how goals and objectives should be formulated. To illustrate the semantics involved, some examples will be offered.

Ansoff⁽¹³⁾ illustrates his ideas on objectives by stating that:

1. The firm has both
 - (a) economic objectives aimed at optimizing the efficiency of its total resource conversion process and,
 - (b) 'social' or non-economic objectives, which are the result of interaction among individual objectives of the firm's participants.
2. In most firms the economic objectives exert the primary influence on the firm's behaviour and form the main body of explicit goals used by management for guidance and control of the firm.
3. The control purpose of the firm is to maximise long-term return on resources employed within the firm.
4. The social objectives exert a secondary modifying and constraining influence on management behaviour.

Thus it can be seen that Ansoff suggests three broad categories of objectives:

- (a) economic objectives
- (b) social objectives
- (c) long term return on resources employed.

This example was chosen to illustrate not only the aspect of multiple goals and objectives, but as well as to show the interaction of the various levels of objectives.

A different approach to defining corporate objectives is offered by Drucker⁽¹⁴⁾, who distinguishes eight areas in which goals and objectives can be formulated.

Namely:

1. market standing
2. innovation
3. productivity
4. physical and financial resources
5. profitability
6. manager performance and development
7. worker performance and attitude, and
8. public responsibility.

Despite the differences in treatment both approaches coincide in emphasizing social or societal goals (or according to Drucker "public responsibility") as one area of great concern to modern organisations.

This same emphasis is introduced by King and Cleland in their "claimant model,"⁽¹⁵⁾ which should serve as a checklist for companies in establishing their goals and objectives.

This model describes the "claimants" as follows:

<u>CLAIMANT TO THE BUSINESS FIRM</u>	<u>GENERAL NATURE OF THE CLAIM</u>
Stockholders	Participate in distribution of profits, additional stock offerings, assets on liquidation, vote of stock, election of board of directors . . .

Creditors	Participate in legal proportion of interest payments, security of pledged assets, relative priority in event of liquidation.
Employees	Economic, social and psychological satisfaction in the place of employment. Freedom from arbitrary and capricious behaviour on the part of company officials. Share in fringe benefits, freedom to join union and participate in collective bargaining, individual freedom in offering up their services through an employment contract. Adequate working conditions.
Customers	Service provided the product; technical data to use the product; suitable warranties; spare parts to support the product during customer use; R & D leading to product improvement; facilitation of consumer credit.
Supplier	Continuing source of business; timely consummation of trade credit obligations; professional relationship in contracting for, purchasing and receiving goods and services.
Governments	Taxes (income, property etc.), fair competition, and adherence to the letter and intent of public policy dealing with the requirements of "fair and free" competition. Legal obligation for businessmen (and business organisations) to obey antitrust laws.
Union	Recognition as the negotiating agent for the employees. Opportunity to perpetuate the union as a participant in the business organisation.
Competitors	Norms established by society and the industry for competitive conduct. Business statesmanship on the part of contemporaries.
Local Communities	Place of productive and healthful employment in the local community. Participation of the company officials in community affairs, regular employment, fair play, local purchase of reasonable portion of the products of the local community, interest on and support of local government, support of cultural and charity projects.
The General Public	Participation in and contribution to the governmental process of society as a whole; creative communications between governmental and business units designed for reciprocal understanding; bear fair proportion of the burden of government and society. Fair price for products and advancement of the state-of-the-art in the technology which the product line offers.

Each claimants groups' demands must be met by some strategic decisions resulting in goal formulation. The assumption of these authors is that every goal of the firm must necessarily be related to one or more of the portrayed claims.

3.3. The Goal Formulation Process

The case of multiple goals and objectives obviously raises specific problems as exemplified below⁽¹⁶⁾:

- (a) How does the organisation deal with multiple and often conflicting goals? Does it maximise any one specific goal or can it resolve the conflicts?
- (b) Are goals imposed on the organisation or do they emerge from the bargaining over decisions and actions?
- (c) Can an organisation be said to have goals or do people only have goals? Does a distinctive collective intent exist?
- (d) How do personal values, needs, desires and expectations get translated into organisational goals?

Although Cyert and March⁽¹⁷⁾ deny the fact that organisations can formulate goals and emphasize that only individuals have them, they also argue that organisations consist of coalitions and sub-coalitions of individuals. Each of these groups may have their own specific set of goals and objectives whose formulation must necessarily take the form of bargaining. This political process follows three broad trends⁽¹⁸⁾:

- (a) The actual bargaining process by which the composition and general

terms of the coalition are fixed.

- (b) The internal organisational process of control by which objectives are stabilised and controlled.
- (c) The process of adjustment to experience by which coalition agreements are altered in response to environmental change.

However, Cyert and March warn that this process is inadequate and may result in goals and objectives that are imperfectly rationalised or stated in the form of aspiration levels rather than in terms of their achievability. Furthermore such goals and objectives may not be operational.

Thompson⁽¹⁹⁾ is in full agreement with the Cyert and March interpretation that coalitions of individuals formulate goals. He stresses the fact that dominant coalitions define the future domains of the organisation, where the domain of the organisation is understood to be the part of the environmental matrix in which the organisation operates.

By contrast, Ansoff⁽²⁰⁾ repudiates Cyert and March's idea that the firm is a collectivity of individuals' opinions and objectives. He assumes that the firm does have objectives which are different and distinct from the individual objectives of the participants. This means that the objectives of the firm can be influenced from its relationship with the environment, its internal structures and procedures and its past history.

3.4. Mintzberg's Model of the Goal Formulation Process

Mintzberg⁽²¹⁾ resolved many questions about the goal formulation process by considering the use of power and its influence in the organisation. He tends towards Cyert and March's concept of coalitions and the translation of personal goals into organisational decisions and actions.

According to him there are basically two categories of influencers who can be traced in the firm's decision-making process.

- I External influencers or the External Coalition ; made up of owners, the associates who trade with the organisation, the employees associations and various publics.
- II Internal influencers or the Internal Coalition ; made up of the peak co-ordinator (a term used for the managing director or chief executive officer), middle managers, technical staff, support staff and operators.

The external influencers have the power and the means to affect the operating internal coalition because the organisation depends on these forces for its survival. There are five categories of these influences:

- (a) Social norms - the set of rules that exist in each society. They are dynamic in nature and change constantly. A shift towards business becoming more socially responsible must impinge on the internal coalition - through the media, value changes in

peer and supervisor groups or other organisational encounters.

- (b) Specific constraints - these are usually social norms made official. For example, through government legislation or trade union activity.
- (c) Pressure campaigns - these raise the public's interest and conscience over general issues. They are a preliminary step in the possible establishment of social norms and constraints.
- (d) Direct controls - through direct access to an internal influencer
 - an owner placing a member in the internal coalition.
 - a majority shareholder electing their own chief executive officer.
- (e) Membership on the Board of Directors (the Formal Coalition).

3.4.1. Three Basic External Coalitions

The external influencers mentioned above manifest themselves in three basic external coalitions (E.C.'s)

- * the DOMINATED E.C. - where a single or co-operating group holds the power in the External Coalition. It uses all its resources to control the Internal Coalition.
- * the DIVIDED E.C. - where individuals or small groups of influencers try to impose different goals on the Internal Coalition.
- * the PASSIVE E.C. - when the total number of individuals competing for power increases, the total coalition becomes more passive. For example, the dispersed shareholders of large publicly owned companies.

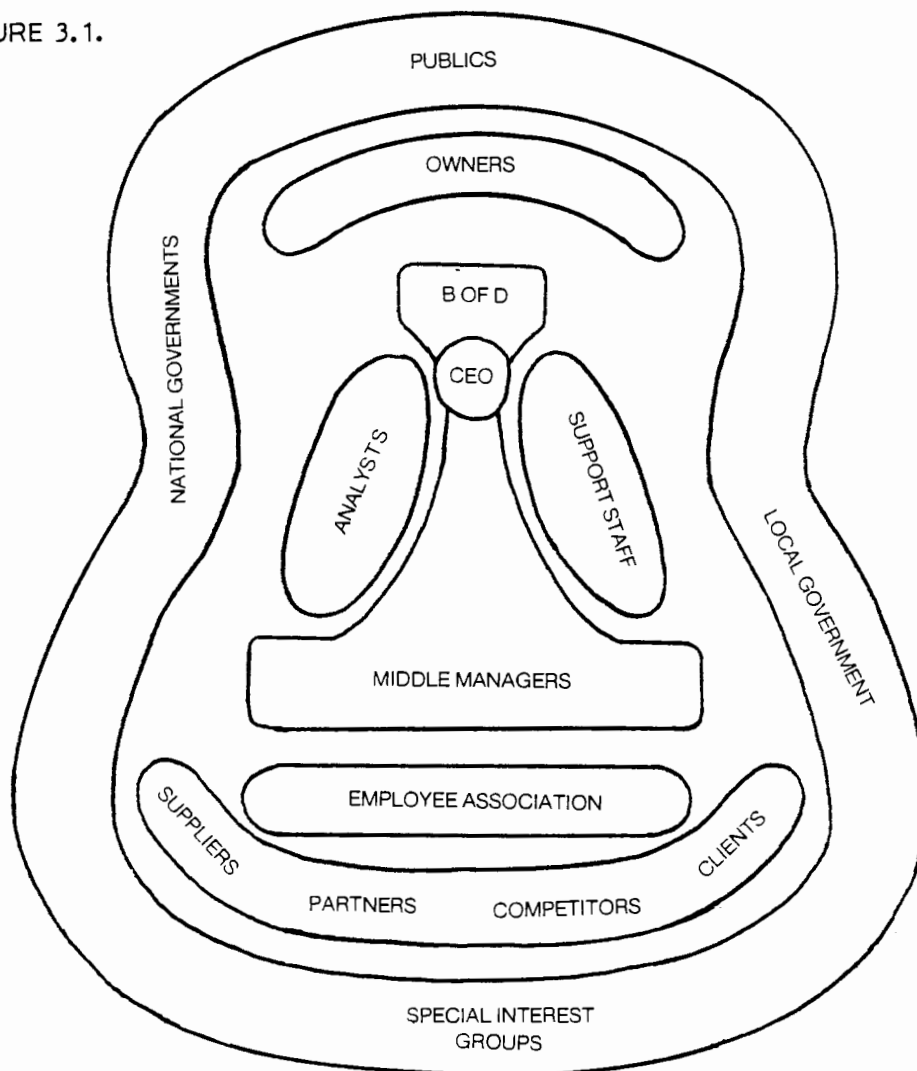
3.4.2. The Control Systems

The Internal Coalition resulting from internal forces and influences, referred by Mintzberg as applying to the structure of the organisation, is the centre of the organisational power system. Here goals emerge and policies are enacted.

It naturally has a hierarchical structure as illustrated in Figure 3.1 below:

THE INFLUENCES IN AND AROUND THE HIERARCHICALLY STRUCTURED ORGANISATION

FIGURE 3.1.



SOURCE: Henry Mintzberg, "Organizational Goals and Goal Formulation" in Strategic Management: A New Wave of Business Policy and Planning, edited by Dan E. Schendel and Charles W. Hofer, Boston: Little Brown and Company, 1979, p. 69.

The chief executive officer, or peak co-ordinator in Mintzberg's terminology, is inevitably the most powerful member of the Internal Coalition. This is due to the power delegated by the Board of Directors, his ability to issue orders, review decisions, and allocate resources and rewards. The external influencers usually direct their attentions on the chief executive officer, who modifies his decisions to fulfill their requests either partially or fully. The chief executive officer is also in a position to greatly influence the direction of the organisation and if he is socially orientated this will be reflected in his actions and those of the organisation. Mintzberg calls this power system the Personal Control System.

Three other control systems are to be found in an organisation:

- (1) the bureaucratic system that defines and standardises work content, rules and procedures.
- (2) the political system - there is a natural tendency for goals to become distorted as they are communicated down the line of command. This creates ambiguities, and lower level managers may apply their own discretion in interpreting them. A tendency is also found for specialists to concentrate on their own goals without paying full attention to formal goals and objectives.
- (3) the system of ideology - each organisation has its own "culture" and its individual members identify with it.

3.4.3. The Internal Coalitions

Five basic internal coalition systems can be distinguished:

- (1) The Bureaucratic Internal Coalition, where bureaucratic control is

the dominant system. The chief executive officer is the primary power influence, with organisational analysts also taking a share of the power while also supporting the chief executive officer.

- (2) The Autocratic Internal Coalition where all the power is personally controlled by the chief executive officer. The political system in the organisation is not fully developed but formal goals are well entrenched.
- (3) In the Ideological Internal Coalition the same ideology is shared by all the internal influences, with resulting minimal political activity. The power is shared on a basis of trust.
- (4) The Meritocratic Internal Coalition, where power resides with the specialists in the organisation.
- (5) The Politicised Internal Coalition, where power rests with members of the organisation who pursue political ends and use political ploys.

3.4.4. Power Configurations

These internal coalitions combine to represent six power configurations participating in the goal formulation process, as reflected in Figure 3.2.

FIGURE 3.2 SIX POWER CONFIGURATIONS

POWER CONFIGURATION	EXTERNAL COALITION	INTERNAL COALITION
Continuous chain	Dominated	Bureaucratic
Closed system	Passive	Bureaucratic
Commander	Passive	Autocratic
Missionary	Passive	Ideologic
Professional	Divided	Meritocratic
Conflictive	Divided	Politicised

The individual components of the above table can be described as follows:

(1) The Continuous Power Chain Configuration:

One external influencer dominates the external coalition - typically the owner; and as his goals are clear he is able to control the internal coalition. Power therefore resides with the chief executive officer as the trustee of the dominant influencer-owner. The goals of the organisation being clearly formulated lend themselves to the bureaucratic control system. This type of organisation is usually associated with a stable environment, simple mass output systems, and a large unskilled workforce.

(2) The Closed System Power Configuration:

As there is a passive external coalition, power passes onto the chief executive officer. The absence of a dominant influencer coupled with the bureaucratic system means that power also flows to middle managers and analysts. (See the hierarchic structure of the organisation Figure 3.1). There is a recognition that rewards are tied to performance. The goals of the organisation become one of

survival, efficiency, control of the environment and especially growth. Growth ensures larger salaries, more important jobs and greater power in society. This type of power configuration is found where the owners are widespread and unorganised. It also commonly appears in multi-divisionalised companies.

Typically Old Mutual could fit into this configuration with its policyholders being primarily disorganised and passive participants in the organisation's decision-making process.

(3) The Commander Power Figuration is found in three broad types of organisations:

- small dynamic organisations operating in constantly changing environments.
- young companies where the chief executive's entrepreneurial influence helps establish the organisation.
- organisations facing severe crises.

(4) The Missionary Power Configuration is apparent in simple organisations typically non-profit volunteer groups and religious affiliations.

(5) The Professional Power Configuration has many professionals pursuing their individual goals. In this situation the overall organisation's goal formulation process is usually made more difficult, and involves considerable bargaining and negotiation.

- (6) The Conflictive Power Configuration is a purely political arena where goals change as a result of changing conflicts. It manifests itself when the other five above mentioned configurations face stressful problems and deviations from their normal operating environments.

The individuals who constitute Mintzberg's power configurations have many differing goals and objectives, including that of profit maximisation - a concept that warrants further attention.

References Chapter Three

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CHAPTER FOUR

4. Profit Maximisation

The classical economic theory of the firm does not consider a hierarchy of multiple objectives. Its fundamental paradigm was the single objective of profit maximisation.

This single objective was the overriding criterion in all business decision-making processes. Optimal levels of output, and hence profits were determined by marginal analysis using economic models based on the axiom of 'ceteris paribus'.

This model does not, however, take into account the realities in which organisations operate.

Decision-makers of large corporations have to take decisions on multiple objectives, or as Rädcl⁽¹⁾ puts it, on "a whole pluralistic set of objectives."

The basic concept of profit maximisation as the golden rule of business is invalid as the following statements made by reputable economists indicate. The concept of maximising profits in the long run is decidedly vague⁽²⁾ and is used to cover a multitude of areas.

According to the reflected sources the maximisation process is relatively simple but does not hold for all cases or situations. The cited authors differ even in their interpretations of exactly which ratios or measures should be used as their profit maximising parameters.

Heinen⁽³⁾ identifies five profit measurements:

- (a) surplus of budgeted revenue over budgeted costs (including interest on capital)
- (b) surplus of budgeted revenue over budgeted costs (excluding interest on own capital)
- (c) surplus of budgeted revenue over budgeted costs (excluding interest on own capital and loan capital)
- (d) as a percentage of total capital
- (e) as a percentage of own capital.

On the other hand, Baumol⁽⁴⁾ considers sales revenue as the "profit" figure for maximisation. Implicit in this idea is that as sales revenue increases, the corporation grows and growth leads to future profits.

Furthermore, as a measure of the effective comparison between the cost of capital and the return on capital the absolute magnitude of profit only, is of little help. A more appropriate measure is profitability or the rate of return.

Reynders⁽⁵⁾ confirms this viewpoint and considers profit merely as the "periodically measured favourable difference between revenue and costs", while profitability is a more relevant concept in areas such as "pricing, choice of product line, size of plant decisions, plant location problems and the marketing mix."

In business practice profitability is distinguished in various terms, such as:

1. the return on equity capital
2. the return (expressed as a percentage) on the total amount of capital employed by the firm
3. the return on the controlling capital⁽⁶⁾.

Shareholders although querying the organisation's profits are predominately interested only in the wealth flowing to them from such profit levels. It has been demonstrated mathematically by Levy and Sarnot⁽⁷⁾ that the maximisation of the wealth of the firm's existing stockholders can be shown to be equivalent to the maximisation of either:

1. the firm's total market value, or
2. the price per share of the common stock, or
3. the value of the owners equity.

Finally, profit maximisation as the sole organisation objective can be dismissed on the following grounds.

1. The split between the owners of the corporation and the managers as emphasized by Berle and Means⁽⁸⁾, Eckhaus⁽⁹⁾, Furbotn and Pejovich⁽¹⁰⁾ and Petit⁽¹¹⁾. The separation of ownership and control has made it possible for top managers to pursue other objectives, once they have reached their targeted profits. These other objectives include:
 - (a) enhancing their own prestige
 - (b) ensuring the continuity of the corporation
 - (c) attaining power through sheer size and dominance of market share
 - (d) involving the corporation in activities to help society beyond merely supplying goods and services.

Power has shifted from owners to managers and with it the inherent features of influence and responsibility.

2. The difficulty in the real world of obtaining all the information

necessary to implement a purely profit maximising decision. This collection task can be prohibitively expensive in both financial terms and time.

3. The time horizons involved. Some decisions will only reach fruition in monetary terms in the long run, while in the short run such decisions may appear to be poor. A balance is needed between short term and long term opportunities, but by definition if a balance is reached something must be sub-optimised.
4. The growing awareness that a large business organisation is not only an economic unit but also a social institution. This makes profit maximisation impossible. The pressures and ethical principles of society inevitably influence the behaviour of entrepreneurs, and brought to bear on the firm have both a "conditioning influence" and "goal setting effect"⁽¹²⁾.
5. Corporations give voluntary donations to worthy causes, sell goods below cost and invest money in institutions that offer lower rates of return. These inconsistencies between business practices and the theory of profit maximisation highlight the inadequacy of the maximisation concept.

At present, although profit maximisation has to be rejected on the above mentioned grounds it should not be lost from sight as so aptly observed by Rädcliff who confirms, "that the corporation is not in business to earn profits, but has to make profits to stay in business"⁽¹³⁾.

This point of view is clearly expressed by Simon⁽¹⁴⁾ in his concept of "satisficing profits." Decision-makers might simply wish to have a rate of return which they regard as satisfactory rather than to blindly attempt to maximise profits⁽¹⁵⁾. The satisficing concept is based on the imperfections of the market place, incomplete information on which decisions have to be made and the aspiration levels of the managers. These aspiration levels could be raised due to learning effects⁽¹⁶⁾ and so higher individual and organisation objectives may be set. More efficient and sophisticated management techniques enabling the objectives to be reached may then be used.

Reynders seems to be influenced by this concept when he states that⁽¹⁷⁾:

"the modern firm pursues . . . satisfactory profitability in the long run within the constraints of liquidity and solvency, whilst at the same time giving a fair and just treatment to all involved with it (shareholders, employees, customers, suppliers, competitors and society at large), and giving due recognition to the prevailing social, political and economic conditions in the . . . country . . ."

Reynder's statement may apply to the process by which Old Mutual formulates its objectives. It cannot decide freely its set of objectives, as it has to face many constraints placed upon it by both Government and society.

Old Mutual can only plan a "satisfactory" level of return on its investments because it is prescribed by legislation to invest in low risk and usually low yielding securities. A list of these "Part One Asset Requirements" can be found in Appendix 4-A.

Furthermore, Old Mutual, as previously stated is a mutual company and does not have shareholders but widely dispersed policyholders. The top level

managers of Old Mutual are thus separated from the owners of policies, and so can pursue goals and objectives calling for courses of action that would not fall within the concept of immediate profit maximisation. Such aims may lead however to long term profit generation and to the general upliftment of the community in which Old Mutual operates.

It can set targets such as growth in market share, growth in actuarial surplus or net premium income ; plus set the monetary levels of assistance it will donate to educational and other institutions. Given this financial ability, Old Mutual's top managers thus have the decisional latitude to formulate objectives for socially responsible actions.

The degree to which these managers accept such objectives relies to a great extent on the individual managers value systems.

APPENDIX 4 – A

PRESCRIBED ASSET REQUIREMENTS FOR
LONG-TERM DOMESTIC INSURERS

GENERAL PROVISIONS

17. ASSETS TO BE HELD IN RESPECT OF INSURANCE BUSINESS BY DOMESTIC INSURERS:

1. A domestic insurer who carries on long term insurance business shall in respect of such business:

- a) hold assets having an aggregate value of not less than the amount of his net liabilities in respect of such business; and
- b) hold in the Republic assets of one or more of the kinds mentioned in the Third Schedule of this Act, having an aggregate value not less than the amount of his net liabilities in respect of such business carried on by him in the Republic,

and for the purposes of this sub-section money or approved securities deposited with the Treasury in terms of section four or six shall not be deemed to be assets held by the insurer.

2. a) The assets referred to in sub-section (1) b) shall, subject to the provisions of sub-section (2A) and (3), include assets of the kinds mentioned in Part 1 of the Third Schedule having an aggregate value not less than:

- (i) thirty-three per cent of the amount of the net liabilities referred to in sub-section (1) (b), excluding such net liabilities in respect of long-term insurance business carried on with pension funds and retirement annuity funds; and
- (ii) fifty-three per cent of the amount of the said net liabilities in respect of long-term insurance business carried on with pension funds and retirement annuity funds but subject to any exemption under Section 18ter.

(aA) . . .

Para. (aA7 inserted by s.3 (a) of Act No. 94 of 1977 and deleted by s.4 (a) of Act No 103 of 1979.

- b) The assets last mentioned in paragraph a) shall, subject to the provision of sub-sections (2A) and (3), include bills, bonds or securities issued or loans entered into in terms of section 19 of the Exchequer and Audit Act, 1975 (Act No. 66 of 1975), and such other bills, bonds or securities issued by or

loans to the Government of the Republic as were held by the domestic insurer on the date of commencement of the Financial Institutions Amendment Act, 1982, having an aggregate value not less than

Word preceding subpara. (i) substituted by s.1(a) of Act No. 82 of 1982.

- (i) fifteen and one half per cent of the amount of the said net liabilities, excluding such net liabilities in respect of long-term insurance business carried on with pension funds and retirement annuity funds; and
- (ii) twenty and one half per cent of the amount of the said net liabilities in respect of long-term insurance business carried on with pension funds and retirement annuity funds but subject to any exemption under section 18ter.

(bA). . .

Para (bA) inserted by s.3 (b) of Act No. 94 of 1977 and deleted by s.4 (a) of Act No. 103 of 1979.

Sub-s (2) substituted by s. 4(a) of Act No. 41 of 1966 and by s. 2(a) of Act No. 91 of 1972 and by s. 6(a) of Act No 101 of 1976 and by s. 4(a) of Act No. 103 of 1979.

- (2A) For the purposes of calculating the amount of any liabilities under unmatured policies for the purpose of calculating the amount of the net liabilities referred to in sub-section (2), the Minister may by regulation prescribe any other assumed rate of interest than that prescribed in terms of paragraph (c) of section 4 of the Second Schedule to this Act, and may, if he prescribes such other assumed rate of interest, by regulation require the insurer concerned to submit such statements to the registrar as may be deemed necessary to indicate how the amount of his net liabilities has been calculated for the purposes of the said sub-section (2) and prescribe the form of such statements.

Sub-s. (2A) inserted by s.6 (b) of Act No. 101 of 1976.

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CHAPTER FIVE

5. Value Systems

5.1. The Nature of Values

As mentioned in the previous chapter an important factor in influencing the goal and objective setting processes of the firm are the value systems of the individual managers.

Tagiuri and Guth⁽¹⁾ have defined values as:

"a conception, explicit or implicit, of what an individual or a group regards as desirable, and in terms of which he or they select, from among alternative modes, the means and ends of action".

While Posner and Munson⁽²⁾ conclude that there is no universally accepted definition of a "value". These authors use Brown's⁽³⁾ terminology as a basis for the presentation of the concept of values. To Brown a value is:

"a belief upon which a person acts by preference; an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence".

Value systems are defined by Brown as:

"an enduring organisation of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance".

Values therefore form part of an individual's personality and code of conduct. They result in a set of attitudes concerning what is desirable or undesirable, or in other words, good or bad. They are acquired early in life being transmitted through parents, teachers, peers and people important in

the person's early formative years.

They can be adapted and transmitted in accordance with changing environments and changing influences. However, deeply entrenched values and their subsequent attitudes are usually difficult to alter.

Values may be thought of as a guidance system a person may use when faced with alternative courses of action.

Values may be identified by noting differences between individuals or groups in dealing with similar problems.

5.2. Value Orientations

Eduard Spranger⁽⁴⁾, a German philosopher identified six major value orientations:

1. The theoretical man, who is primarily interested in the discovery of truth and the systematic ordering of his knowledge. His interests are empirical, critical and rational.
2. The economic man who is orientated towards what is useful. He is interested in the practical affairs of the business world, in the production, marketing and consumption of goods, and in the use of scarce resources.
3. The aesthetic man who is interested in the artistic aspects of life.

He values form and harmony.

4. The essential value for the social man is love for people. He tends to be kind, unselfish and sympathetic.
5. The political man is characteristically orientated towards power in whatever field he operates.

If accepted, this classification can assist businessmen in determining their primary value orientations and those of his fellow managers.

A further study by Tagiuri⁽⁵⁾ of executives at Harvard Business School revealed that the three dominant orientations were economic, theoretical and political. He explains his findings as follows:

- the "economic man" is concerned with efficiency and profits
- the "theoretical orientation" is needed for conceptual skills such as long-range planning and analysis
- the "political orientation" is necessary for dealing with people and organising work groups. The political orientation is equivalent to Mintzberg's power coalition as discussed in Chapter 3.

5.3. Values and Decision-Making

Personal values play a notable part in decision-making, and in the implementation of business decisions.

As pointed out by Guth and Tagiuri, for many managers economic values are dominant. These economic values may come into conflict with other values

predominant in other groups in their firm and society at large. To operate effectively management must function as a team, which pre-supposes understanding the values of the other members of the team. Without this understanding no effective strategies or plans can be developed as they will lack the support of all the team's members.

There must be a willingness to accept the idea that, while other peoples' values may be different from one's own, they are not necessarily better or worse. Such acceptance results not only in a greater effectiveness of the management team but also improved interpersonal relations.

5.4. Problems of Assessing the Importance of Values

Managers of business organisations must be aware not only of the immediate consequences of any decisions they reach, but also of the ultimate consequences of these decisions in terms of different levels of values.

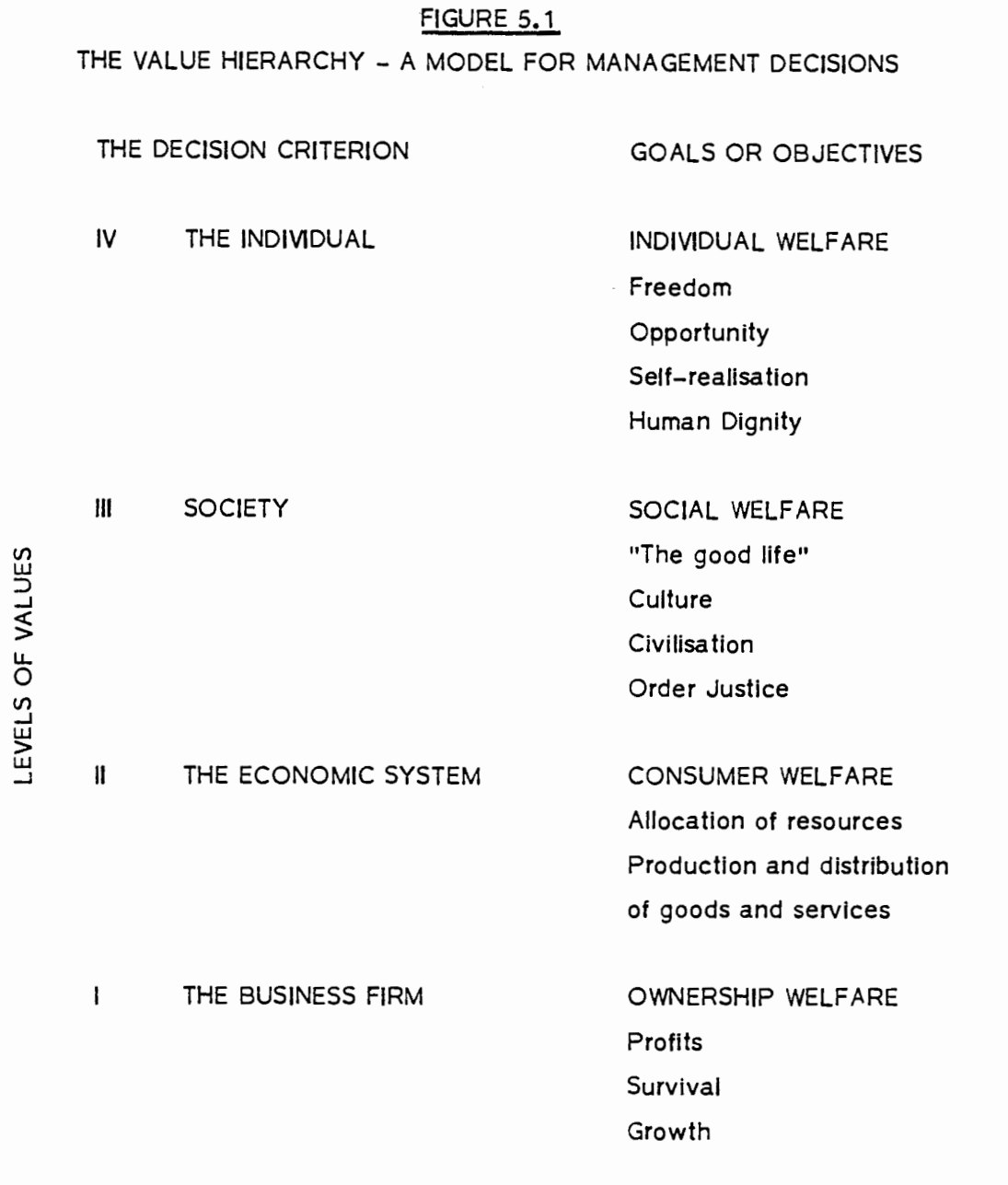
Factors to be examined, are whether personal values should:

- a) ultimately determine business practices and formulate strategies
- b) merely be one of the factors considered, or
- c) be disregarded in an attempt to focus exclusively on maximising the economic use of company resources.

The issues involved in these statements must be solved by each individual company and its management team.

A useful framework that may be applied is Bernthal's⁽⁶⁾ hierarchy of values

as illustrated in Figure 5.1 below:



The hierarchy suggests that responsible business management requires decisions and actions that contribute to the goals and objectives of the firm without violating or suppressing higher values. Human values are placed above economic values as economic objectives may be achieved without denying the individual's basic rights.

5.5. The Significance of Value Systems

To sum up, personal value systems influence:

1. The manager's perception and interpretation of situations and problems he faces - past, present and future.
2. Manager's decisions and solutions to problems.
3. The way a manager looks at other individuals and groups thus influencing his personal relationships.
4. The extent to which managers will accept or resist organisational pressures, goals and adoption of strategies.
5. The setting of limits for the determinants of what is, and what is not ethical behaviour of a manager.
6. The setting of social responsibility objectives and activities.

The preceding sections dealt with values and their influence on business decisions. Despite the fact that a manager may realise his own set of values as well as those of his team members, an item of supplementary influence in decision-making is his ethics or ethical conduct.

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CHAPTER SIX

6. Business Ethics

6.1. Basic Definition of Ethics

Business ethics is concerned primarily with the relationship between the goals and techniques of business and their moral effect upon the ends and objectives pursued by individuals, social groups and society at large.

Ethics is therefore a systematic study of moral choices, and of the moral standards by which right choices are made. This means that business ethics studies the special moral obligations which a businessman as a citizen accepts when he becomes a part of the world of commerce.

De George⁽¹⁾ distinguishes morality and ethics. He defines morality as:

" a term used to cover those practices and activities that are considered importantly right or wrong, the rules which govern those activities, and the values that are embedded, fostered, or pursued by those activities and practices. The morality of a society is related to its mores or the customs accepted by a society or group as being the right and wrong way to act, as well as the laws of a society which add legal prohibitions and sanctions to many activities considered to be immoral".

Ethics he defines as⁽²⁾:

" a systematic attempt through the use of reason to make sense of our individual and social moral experience in such a way as to determine the rules which ought to govern human conduct and the values worth pursuing in life".

Henderson⁽³⁾, another writer on ethics offers his definition quoted below:

" ethics is commonly defined as a set of principles prescribing a behaviour code, that explains what is good and right or bad and wrong; it may even outline moral duty and obligations generally".

Henderson considers this definition too static, because it assumes a consensus of opinion on what constitutes ethical principles. In the dynamic business environment in which a modern corporation operates, no overall consensus of attitudes to ethics can be found.

The corporation is faced with numerous factors that lead to a delicate balancing of ethical priorities and a situational approach to ethical issues is therefore imposed. This calls for a more dynamic definition of business ethics. Henderson suggests that this definition is offered by Powers and Vogel⁽⁴⁾.

" in essence ethics is concerned with clarifying what constitutes human welfare and the kind of conduct necessary to promote it".

This definition can be considered to have both an element of discussion and an element of behavioural conduct. Discussion is needed to identify the ever changing values of individuals and society, as well as economic and political conditions. Once the definition process has clarified the issues, attention must then be focussed on how to institutionalize the consensus reached.

For the business firm new political, economic and social forces are continually reconstituting its perception of what is good or bad - what is ethical or unethical.

Ethical issues arise when laws and legal precedents are inadequate to settle moral claims, and when available choices of action cannot satisfy all concerned parties. The law is an incomplete reflection of society's moral standards and cannot comprehensively prescribe fundamental ethical conducts. The grey area between right and wrong is expanding in our dynamic business environment, imposing a greater responsibility on the manager to make moral judgements. That such areas exist cannot be taken as an excuse for unethical conduct.

To decide whether a business decision is ethical or unethical, it is convenient to consider Byron's ⁽⁵⁾ interpretation of ethics. He feels that the concept of ethics in business has four "layers of meaning".

- a. Common Sense - "in every human being is a common sense detector of the presence of oughtness in human relations".
- b. Philosophy - "ethics derives its principles from reason, unassisted by divine revelation, but aided throughout by reflection on human experience".
- c. Etymology - "the Greek word 'ethics' is the root form of 'ethica' (ethics)", and the Latin translation of 'ethos' is 'mos moris' from which our word 'moral' is derived. From this etymological exercise Byron suggests that when considering ethical acts contemplate how the act affects the 'inner character of the person'.

- d. Religious Ethics - "there exists a direct relationship between ethics and religious belief".

Byron says all four of the above mentioned elements should combine in an 'ought'. "I ought to do this or not do that because common sense encourages such a decision, reason commands it: . . . revelation and interpreted religious experience affirm it".

6.2. Approaches to Ethical Theory

Ethics may also be defined as the disciplined reflection upon right as opposed to wrong actions, the criteria upon which such judgements are made, and the attempt to establish basic moral principles.

In an attempt to evaluate ethical situations, two basic approaches may be considered. The first argues on the basis of consequences and this kind of ethical reasoning is termed a teleological approach. The second approach is called a deontological approach.

These two basic theories will be examined in some detail in the following sub-sections⁽⁶⁾.

6.2.1. Teleological Approach

This approach states that:

"whether an action is right or wrong depends on the consequences of that action"

and the most common form of teleological ethics, based on the premise that an

"action is good if it produces, or tends to produce the greatest amount of good for the greatest number of people affected by the action",

is termed utilitarianism.

Actions or activities per se are not good or bad in a moral sense, but take on moral values when considered in conjunction with the effects that result from them.

Philosophical literature discusses a number of problems and complications which result from defining or using utilitarianism.

One problem is how to calculate consequences which differ radically from one another. In business the calculation may be simplified so that it can be expressed in monetary terms; but how can activities be evaluated from a moral point of view? A number of answers have been proposed to this problem:

- a) Hedonistic utilitarianism which proposes that the basic human values are pleasure and pain. Everything desired, wanted or needed by people can, in one way or another, be defined simply in terms of pleasure or lack of it. Therefore, calculations are possible because of the use of a common denominator.
- b) Eudaimonistic utilitarianism is a result of a challenge that not all

valuable goods can be reduced to some form of pleasure or pain. According to this concept what is intrinsically important is not pleasure which may differ in both quantity and quality, but happiness which becomes the dominant unit for calculation.

- c) Ideal utilitarianism maintains that neither pleasure nor happiness are sufficient factors but what has to be calculated also includes friendship, knowledge and a variety of other goods valuable in themselves.

6.2.2. Deontological Approach

Deontologists decry the utilitarian's claim that the morality of an action depends on its consequences. They maintain that actions are morally right or wrong independently of their consequences. Thus moral rightness or wrongness are the basic and ultimate moral terms. It is therefore an individual's duty to do what is morally right and abstain or refrain from doing what is morally wrong, irrespective of the consequences.

This approach has its basis in the Judeo-Christian morality and also goes back to the philosophical traditions of the Greek Stoic philosophers⁽⁷⁾.

It has various interpretations and includes the following theories.

- a) Judeo-Christian Morality

This approach to ethics is based on theology and hence on the acceptance of divine revelation. Two aspects may be mentioned:

The first holds that divine inspiration took place not only through the Prophets, Christ and the authors of the New Testament, but the revelation continues even now and is accessible to all believers. In this view conscience is God's word and those who are tuned in know what is morally right and morally wrong. Moral values are therefore determined by God and communicated by Him to His believers.

The second viewpoint is that God determines what is right or wrong as revealed by Him through His Prophets, Christ or the authors of the New Testament. These revelations need interpreting and this may be performed by the individual, Church or special persons - depending on one's religion.

b) Ethical Formalism

The basic formulation of this approach has been presented by the German philosopher Immanuel Kant⁽⁸⁾. To Kant, to be moral means to be rational. Just as nobody can force us to be rational, nobody can force us to be moral. He posits that to see more closely what it means to be moral and what morality demands, we have to analyse closely what it means to be rational.

Since morality consists of acting rationally and applies only to rational beings, the source of morality can therefore be found in ourselves. Consequently, as reason is the same in each individual, it follows that what is rational and moral is the same for all. We therefore act morally when we knowingly choose to act in the way our reason demands.

The statement of what reason demands in the realm of action is the 'moral law'. Through the analysis of reason as applied to action we find the key to morality.

As the moral law is the form of the statement of the moral action, it makes explicit the following characteristics, central to reason:

- (i) consistency - moral actions cannot be self contradictory
- (ii) universality - since reason is the same for all of us, what is rational for me is rational for others and vice versa.
- (iii) a third characteristic of reason is that it is a priori or not based on experience. 'It applies to experience but is not derived from it, nor is its truth dependent on it'. Thus, morality of an action cannot depend on consequences⁽⁹⁾.

Because the moral law is a law it commands or states an imperative. This imperative is an unconditional one - whatever is to be done has to be done as it is commanded by reason. According to Kant the moral law demands categorically and not hypothetically. Kant called the statement of the moral law, one of the supreme principles of morality, the 'Categorical Imperative'.

Those who wish to be consistent often attempt to use only one of the discussed ethical approaches when considering ethical questions.

Those who are willing to mix their approaches are called 'ethical pluralists'⁽¹⁰⁾. These individuals have one primary approach or set of principles which can be joined with other approaches or set of principles under specific circumstances and at certain times.

Yet, despite the variety of different theories presented, even philosophers and other members of society must act. They must perform as best they can in the absence of universally accepted ethical theories.

Members of society including businessmen therefore need to become familiar with the discussed theories, their strengths and weaknesses and be aware of how to employ them. They must make moral judgements and hold moral values but they are mostly poorly trained in the art of defending their moral views and of using moral reasoning, and this art is an important part of business ethics.

6.3. Conceptual Framework to Business Ethics

Byron's earlier view of ethics presented in Section 6.1 holds not only for business decisions, but for many situations in life. Henderson presents a more fundamental conceptual framework on how business decisions are interpreted by society as ethical or unethical - as well as legal or illegal.

HENDERSON'S CONCEPTUAL FRAMEWORK FOR CORPORATE DECISIONS

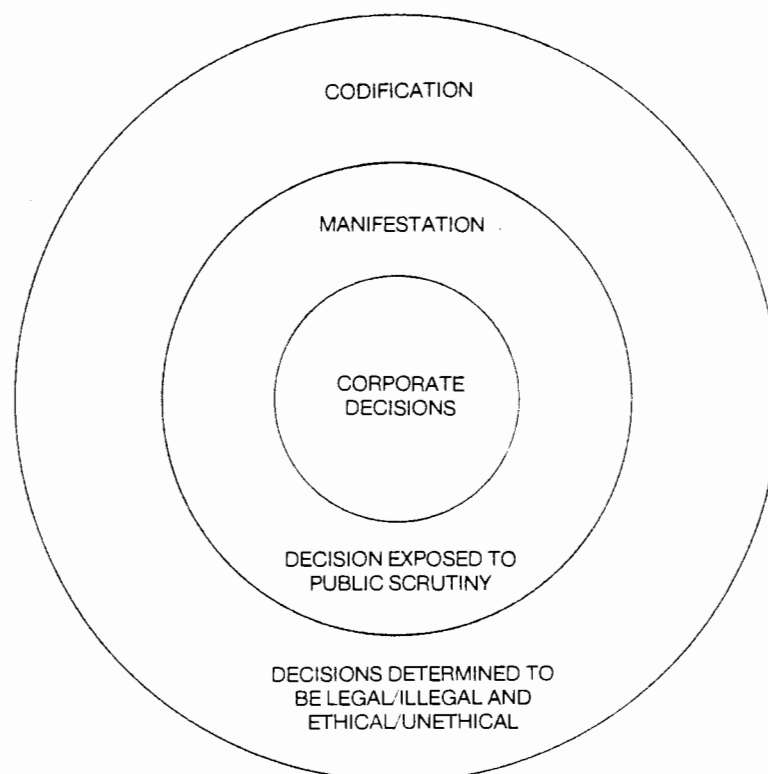


FIGURE 6.1.

SOURCE: Verne E. Henderson, "The Ethical Side of Enterprise", Sloan Management Review, Spring 1982, p.41.

In Figure 6.1 the firm's decisions are shown to emanate from the inner circle. This is a representation of the way decisions are reached in many large firms.

There is an aura of secrecy and privacy about this decision-making, partly due to the nature of the business, the nature of competition or the contemplation of 'less noble acts'. In this connection it is interesting to note here Carr's⁽¹²⁾ idea of corporate decision-making in a profit orientated firm.

He applies 'Gresham's Law of Ethics' where:

"the ethic of corporate advantage invariably silences and drives out the ethic of individual self restraint".

Once business decisions become public knowledge or 'manifested' as shown in the model, they are subject to public censure and debate. The result of this debate is the codification process in which society determines the acceptability of the decisions.

As business decisions take on different connotations over time, the managers must always query the legality and ethical status of each decision. Figure 6.2. below can be used to help classify these issues.

CLASSIFYING DECISIONS USING HENDERSON'S CONCEPTUAL FRAMEWORK

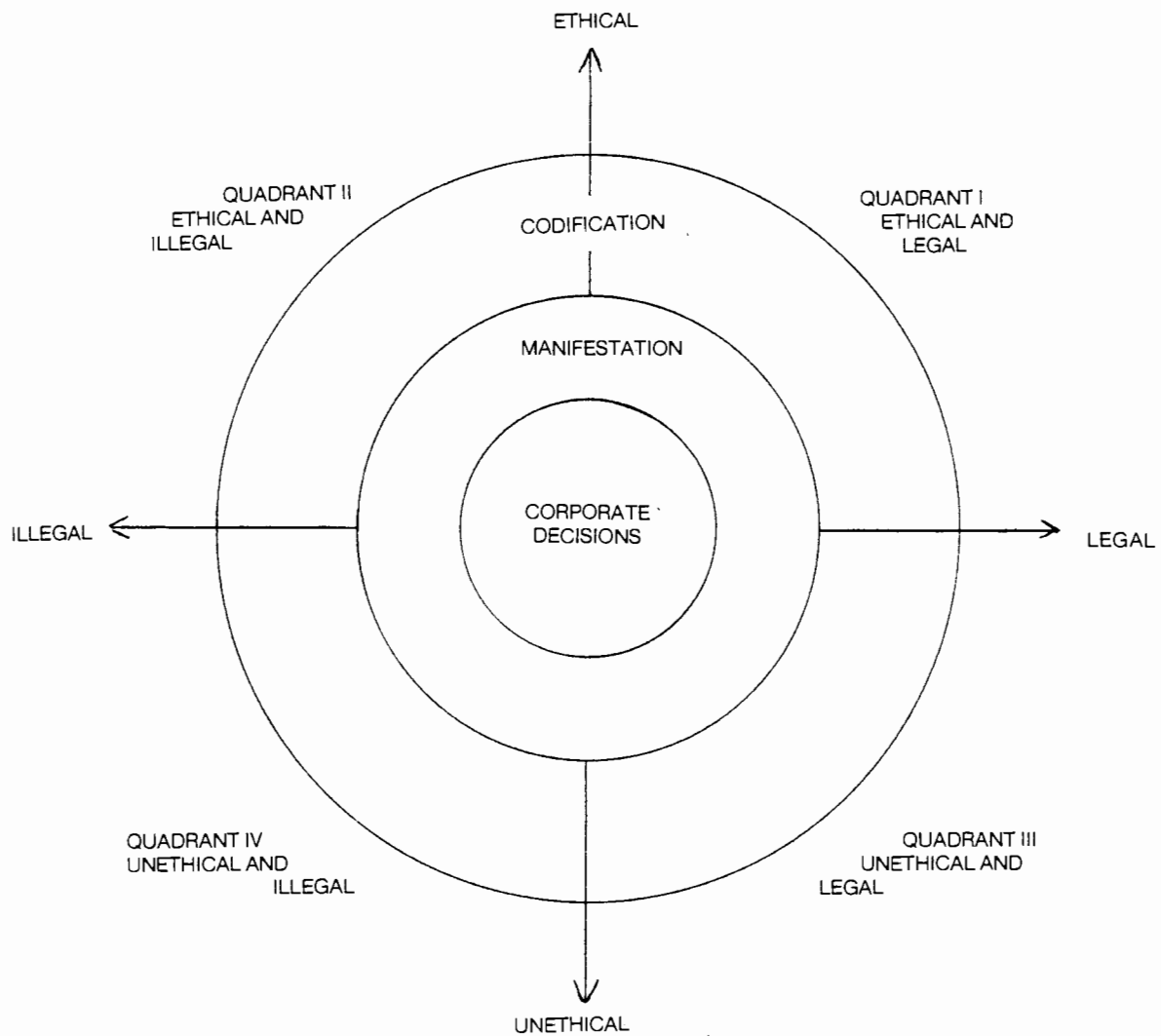


FIGURE 6.2.

SOURCE: Verne E. Henderson, "The Ethical Side of Enterprise", Sloan Management Review, Spring 1982, p.42.

In Quadrant 1, decisions will prove to be both legal and ethical. This is the ideal quadrant for all business operations. However, ethical dilemmas and situations do arise which force managers to make choices that may fall within the confines of the other quadrants.

In Quadrant II (ethical and illegal), there are numerous sensitive issues. For example, making payments to foreign officials or hiring qualified, unregistered, unemployed Blacks in White urban areas.

In Quadrant III (unethical and legal) similar issues are found. For example, the United Nations has called the selling of infant formulas to underdeveloped countries, unethical but not illegal. It is relatively easy for the business firm to operate in this quadrant because no legal claims can be filed against it.

The issues covered in Quadrant IV are usually clearly unjust. For example, discrimination against women, discrimination on grounds of colour or religious beliefs or the disposal of harmful wastes into waterways.

It is not always apparent into which quadrant to place a contentious issue. Henderson presents Fletcher's⁽¹³⁾ theory that complex ethical decisions should be based on the situation prevalent at that time. No two judgements would ever be identical due to the inherent dynamism of the business environment.

Fletcher proposes an algorithm which each decision-making member should follow when considering an ethical issue. There are four factors which should be considered before embarking on a course of action - goals, methods, motives and consequences.

- | | |
|-------------------------|--|
| a) <u>Goals:</u> | - the nature and structure of goals in the organisation must be clarified from the viewpoint of: |
| ▪ goal multiplicity | - are decision-makers aware of all the possible goals and constraints? |
| ▪ constituency priority | - the goals must be ranked in some order of priority. |
| ▪ goal compatability | - are the organisational goals consistent? Is there |

any degree of overlapping? If there is incompatibility, choices must be made.

b) Methods

- before deciding upon the appropriate methods to achieve its goals, the organisation must establish whether these methods are:

- ⌘ acceptable to the 'organisation's constituents' (By constituents are meant the groups having a claim on the organisation be they shareholders, employees, customers, environmentalists, ecologists, social groups . . .)
- ⌘ intended to maximise goals or merely satisfy them.
- ⌘ essential, incidental, or extraneous to the goals themselves.

c) Motives

- individuals have motives which influence their interpretation of the company's goals as well as the procedures and methods selected to achieve them. When contemplating ethical issues are these motives:

- ⌘ hidden or known?
- ⌘ shared or selfish?
- ⌘ have a value orientation?

d) Consequences

- each goal and method of attainment is combined with one or more consequence. It is important to consider the time frames, impact on the organisation's constituents or exogenous effects of each decision.

The usefulness of this situational algorithm is that it can be applied to all ethical questions in business and helps resolve the complexity of each problem into manageable parts.

To further assist managers of a company in solving problems of an ethical nature is a table of twelve questions as formulated by Nash⁽¹⁴⁾. These questions are presented below as a comprehensive checklist:

FIGURE 6.3.

TWELVE QUESTIONS FOR EXAMINING THE ETHICS OF BUSINESS DECISIONS

1. Have you determined the problems accurately?
2. How would you define the problem if you stood on the other side of the fence?
3. How did the situation occur in the first place?
4. To whom and to what do you give your loyalty as a person and as a member of the corporation?
5. What is your intention in making this decision?
6. How does this intention compare with the probable results?
7. Whom could your decision or action injure?
8. Can you discuss the problem with the effected parties before you make your decision?
9. Are you confident that your position will be valid over a long period of time as it seems now?
10. Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, society as a whole?
11. What is the symbolic potential of your action if misunderstood?
12. Under what conditions would you allow exceptions to your stand?

6.4 Two Views of Ethics — “Cynical” versus “Responsible”

There is a dichotomy of views regarding business ethics. The 'cynical' view is that the ethics of business are different to those that govern greater society. The 'responsible' view is one of concern for the rights of the individual and society at large.

6.4.1. The “Cynical” View

This view is held by authors such as Carr⁽¹⁵⁾ and Friedman⁽¹⁶⁾. It is based on the statement by Henry Taylor⁽¹⁷⁾ that:

"falsehood ceases to be falsehood when it is understood on all sides that the truth is not expected to be spoken".

According to this view, the ethics of business are essentially game ethics, as opposed to ethics of religion or society. The businessman is concerned with strategies of deception within the very broad framework of the law. Untruths are often to be expected and tolerated in business - they are simply part of the business game strategy. If the businessman is obliged to tell the truth and nothing but the truth, he is potentially ignoring opportunities and is at a disadvantage in all business dealings. Violations of the ethical ideals of society are common in business, but are not necessarily violations of business principles.

Business is compared to poker by Carr⁽¹⁸⁾, where ultimate victory requires intimate knowledge of the rules, ability to respond quickly and to take advantage of opportunities as they arise. It is proper and ethical to bluff and it is up to the concerned parties to protect themselves. The quote of the former American President, Harry S Truman is particularly apt:

"If you can't stand the heat, stay out of the kitchen".

As long as the firm does not transgress the rules of the game set by law, it has the legal right to shape its strategy without reference to anything but its profits.

6.4.2. The “Responsible” View

By acting ethically, the company improves the environment in which it operates and ensures the long-term viability of the business system. Simply stated, ethical policies are good business.

Business faces the problem of harmonizing its operations and its objectives, particularly those that come into conflict with other groups. This can be done by recognising the prevalent ethical codes in society, by estimating its relative legitimacy, and by establishing priorities for any areas of conflict.

Business is, therefore, continually being pressed to re-examine its goals, policies and operations in the light of existing and changing ethical and religious values in our society. Professional management must strive to develop and implement a philosophy which will be comprehensive enough to effectively relate the whole system of business to the broader system of society.

As the cynical view interprets, "business ethics" do not make sense to the moralists of the Western tradition. Indeed, it can be said that the very term to them is objectionable and reflects moral laxity. The authorities on ethics also disagree on what constitutes the grounds of morality - whether they be divine, human nature or the needs of society. They also disagree on the specific rules of ethical behaviour. The only differences between what to them is ethically right or wrong behaviour, are differences founded in social or cultural mores.

The distinguished social scientist Drucker⁽¹⁹⁾ argues that those who would insist on a special code of 'business ethics' would be indulging in dangerous

and ultimately self-defeating nonsense.

He considers that there is "only one ethic, one set of rules of morality, one code - that of individual behaviour in which the same rules apply to everyone alike."⁽¹⁵⁾

Therefore, to Drucker, there is only one code of ethical behaviour and that is individual behaviour.

If ethics is to include the Judeo-Christian principles that all men and women were created equal, then business does not follow this axiom. Drucker states 'business ethics' is not ethics at all because it 'asserts that acts that are not immoral or illegal if done by ordinary folk become immoral or illegal if done by business'.⁽²⁰⁾

The modern business ethics of today is casuistry⁽²¹⁾.

"Casuistry asserted that rulers, because of their responsibility, have to strike a balance between the ordinary demands of ethics that apply to them as individuals and their 'social responsibility' to their subjects, their kingdom - or their company".

The concept of casuistry dates back to the period of Calvin in the sixteenth century, and stresses that it is a ruler's (chief executive officer's) duty to "subordinate his individual behaviour and his individual conscience to the demands of his social responsibility".

Casuistry fell into disrepute because it became a politicised concept - as is today's business ethics.

To the casuist, ethics is:

"a cost-benefit calculation involving the demands of individual conscience and the demands of position - and that means the 'rulers' are exempt from the demands of ethics, if only their behaviour can be argued to confer benefits on other people".

Thus, any "ethical actions" performed by the managers of modern companies can be justified in terms of cost-benefit analysis. Hence "business ethics" can be construed as a tool to defend as ethical, acts performed by business executives that would be condemned by anyone else or castigated as a measure of political expediency.

To Drucker, business ethics have become an 'ethical-chic' - and indeed might be considered more a media event than philosophy or morals.⁽²²⁾

However much Drucker maligns the current trend in business ethics he still proposes two alternate courses of action⁽²³⁾.

1. The Ethics of Prudence which "do not spell out what 'right behaviour' is ". Chief executives assume that what is 'wrong' behaviour is clear enough - and if there is any doubt, the issue is 'questionable' and to be avoided. Businessmen should apply the concept of prudence but should also be aware that it may "decay into the hypocrisy of public relations".
2. The Confucian Ethics of Interdependence. Under this interpretation, ethical rules are the same for all people according to five basic interrelationships:

- ☒ senior and subordinate
- ☒ husband and wife
- ☒ father and child
- ☒ oldest brother and sibling
- ☒ and, between friend and friend.

The correct and ethical behaviour between each group is one of sincerity and mutual dependence. Any behaviour that is insincere and abuses power that is a function of rank, is unethical, exploitative and manipulative.

Confucian ethics stance may not be adequate for modern business company, but the key concepts are both 'durable and effective', and these are as Drucker⁽²⁴⁾ states:

1. A clear definition of the fundamental relationships.
2. Universal and general rules of conduct - that is, rules that are binding on any person or organisation, according to their own functions and interrelationships.
3. Focus on right behaviour rather than on avoiding wrong doing, and on behaviour rather than on motives or intentions.
4. An effective organisation ethic will have to define right behaviour as the behaviour that optimises each party's benefits and thus make the relationship harmonious, constructive and mutually beneficial.

6.5. Factors Influencing Ethical Standards

Even if a company has some kind of implicit or explicit stated code of ethics, the adherence to it by the organisation's members is still influenced by a number of factors, as found by various researchers.

Brenner and Molander's⁽²⁵⁾ survey in 1976 on the ethical attitudes and stances of United States businessmen, (an updated version of the investigation conducted by Baumhart⁽²⁶⁾ fifteen years earlier), revealed several factors which lead to higher ethical standards on one side, and lower ethical standards on the other. These two categories are summarised as Figures 6.4. and 6.5 below⁽²⁷⁾.

FIGURE 6.4

FACTORS LEADING TO HIGHER ETHICAL STANDARDS

Public disclosure; publicity; media coverage; better communication.

Increased public concern; public awareness, consciousness, and scrutiny; better informed public; societal pressures.

Government regulation, legislation, and intervention; federal courts.

Education of business managers; increase in manager professionalism and education.

New social expectations for the role business is to play in society; young adults' attitudes; consumerism.

Business's greater sense of social responsibility and greater awareness of the implications of its acts; business responsiveness – corporate policy changes; top management emphasis on ethical actions.

FIGURE 6.5.

FACTORS LEADING TO LOWER ETHICAL STANDARDS

Society's standards are lower; social decay; more permissive society; materialism and hedonism have grown; loss of church and home influence; less quality, more quantity desires.

Competition; pace of life; stress to succeed; current economic conditions; cost of doing business; more businesses compete for less.

Political corruption; loss of confidence in government . . .; politics, political ethics and climate.

People more aware of unethical acts; constant media coverage; TV communications create atmosphere for crime.

Greed; desire for gain; worship the dollar (rand) as measure of success; selfishness of the individual, lack of personal integrity and moral fibre.

Pressure for profit from within the organisation from superior or from stockholders; corporate influences on managers; corporate policies.

For the modern manager there are numerous other conditions and factors which influence the ethicality of his decision-making behaviour. Primarily, the manager must operate within the confines of common law and government regulations, which place immediate constraints on his activities. Behaviour that flagrantly violates accepted legal tenets is inevitably unethical. However, not all laws are considered by all men to be just and equitable, and it is here that businessmen formulate their ethical stances. The business manager is also faced with what Evans⁽²⁸⁾ terms "ethical duality". There are two sources of ethical standards, socio-political-economic and personal-religious-moral. There is a potential conflict between the values of the person as a citizen, spouse, parent and as a member of an organisation that provides his or her livelihood.

It is extremely difficult for a manager to make decisions without regard for material gain or benefits. The ethical nature of business decisions are then

tempered with the need for financial security. Thus, ethical decisions about personal, social behaviour are influenced by the necessity for the survival of the firm. There is therefore a tension between personal ethical standards and the needs of the firm.

The individual is basically seeking goals that will further his independence, while firms seek conformity of individual behaviour to achieve organisational goals. The individual has a responsibility to the company as it supplies him with his source of income, but does his responsibility extend to the point where company morality and ethics should supercede his own sense of moral conduct?

Another attempt to categorise other factors as influencing unethical decisions of businessmen is Brenner and Molander's⁽²⁹⁾ following list:

1. Behaviour of superiors.
2. Formal policy or lack thereof.
3. Industry's ethical climate.
4. Behaviour of one's equals in the company.
5. Society's moral climate.
6. One's personal financial needs.

6.6. Ethical Codes

The setting of standards of ethical behaviour or codes of ethical conduct is a contentious issue as no written code can comply with all the situations faced by a businessman.

The general arguments in favour of a code of ethics revolve around the point that the mere existence of a code, specific or general, can raise the ethical level of business behaviour only because it clarifies what is meant by ethical conduct.

In the above mentioned research Brenner and Molander⁽³⁰⁾ found that a code of ethics had three main advantages as perceived by a business executive. These were to:

1. help raise the ethical level of their industry
2. define the limits of acceptable behaviour, and
3. refuse unethical requests.

Baumhart⁽³¹⁾ further asserts that the actual process of discussion that precedes the formulation of an ethical code is valuable in clarifying what constitutes "reasonable behaviour".

De George⁽³²⁾ considers that a code of ethics should contain certain characteristics and these would include:

1. The code should be regulative. The inclusion of ideals is not necessarily inappropriate but the code should make clear which of its statements are ideals and which punitively regulative.
2. The code should protect the public interest.
3. The code should be specific and honest. A code which simply says that its members should not lie, steal or cheat requires nothing of them that is not required by all.
4. The code must be both policeable and policed. Unless the code has

provisions in it for bringing charges and applying penalties it is no more than a set of ideals.

The last point that of 'enforcement of ethical codes' is the most difficult aspect to comply with when establishing such a code. The gathering of information about violations and the impartial enforcement of disciplinary actions is difficult to attain in practice. This is especially true of codes covering whole industries. A specific company code can be more appropriately enforced through internal policies and means.

The advantages of such internal⁽³³⁾ enforcement are:

1. Greater power and authority for those responsible for enforcement.
2. Easier access to information and detection of violations committed.
3. Easier interpretations when rules have been violated.
4. More natural definition of and execution of penalties to fit violations.

There are further problems to compound those of impartiality of enforcement when establishing ethical codes. These can be summarised as follows:

- ▣ The difficulty of obtaining the complete commitment of a whole industry, let alone company to a code of ethics
- ▣ The problems that arise out of actually constructing a code - its length, its vocabulary and understandability, the points raised and those not mentioned.
- ▣ The behaviour of executives who concern themselves with profits at

the expense of ethical considerations

- The attitude that flows from the belief that 'rules are made to be broken'
- The problem of maintaining a code of ethical conduct in all firms throughout an industry. If one financially successful firm does not have a code, it is justifiable to demand that other company executives follow their own codes.

The Trade Union Council of South Africa (TUCSA) has published a summary of six codes of ethics presently being applied in South African Industries⁽³⁴⁾. This summary follows below in Figure 6.6.

FIGURE 6.6

SUMMARY OF THE CODES

	SULLIVAN CODE (UNITED STATES)	BRITISH COMPANIES GUIDELINES	EUROPEAN ECONOMIC COMMUNITY CODE OF ETHICS	CAPE CHAMBER OF COMMERCE	SOUTH AFRICAN COUNCIL OF CHURCHES	URBAN FOUNDATION
SEGREGATION	Non-segregation of races, all eating, comfort and work facilities.	Aim at non-segregation but duplication of facilities if separa- tion required by law.	Everything possible to be done to desegre- gate in the factory.		Non-segregation of races in all eating, comfort and work facilities.	Removal of discrimination in all aspects of employ- ment practice.
EMPLOYMENT PRACTICES	Equal and fair employment practices for all employees.	Fringe benefits for Blacks. No discrimination in any sphere of work promotion.	Improvement of fringe benefits.	Select, employ train and promote without regard to race or colour. Benefits to all.	Equal and fair employ- ment practices for all employees.	No discrimination based on race or colour in job advancement and fringe
REMUNERATION	Equal pay for all doing equal or com- parable work.	Fair wages above Poverty Datum Line and equal pay for equal work. Reduce wage gap.	Pay to be at minimum at Effective Minimum Level. Equal pay for equal work.	Determine salaries. wages on principle of equal pay for equal work.	Equal pay for all doing equal or comparable work.	Elimination of dis- crimination based on race or colour.
TRAINING	Initiation and deve- lopment of training for large scale black advancement.	Internal or external training including artisan skills. Stop usage of White immigrant labour.	Development of train- ing programmes for Blacks		Initiation and develop- ment of training for large scale Black advancement.	Training programmes and facilities to improve productivity or skills to achieve advancement in technical, administrative or managerial positions.
DEVELOPMENT	Increase number of Blacks and other non- Whites in management and supervisory positions.	Encouragement of training to develop full potential and non racial promotion policy.		Select, employ, train and promote without regard to race or colour (as above).	Increase number of Blacks and other non-Whites in managerial and super- visory positions.	No discrimination in selection, employment, advancement or promotion of all employees.
SOCIAL RESPONSIBILITY	Improve the quality of employees' lives outside of the work- ing environment in such areas as housing, transportation, schooling, recreation and health facilities.	Fringe benefits to aid home purchase, educa- tion, food.	Concern with living conditions of emp- loyees. Funds to be set aside to aid home purchasing, transportation, re- creation facilities, pensions, medical and other social wel- fare facilities, and to help employees in problems with autho- rities. Adopt accident and unemployment schemes.	Improve quality of emp- loyees' lives outside the work environment.		Accelerate the creation of employment opportuni- ties at wage rates to maintain viable living standards.

FIGURE 6.6 CONTINUED

	SULLIVAN CODE (UNITED STATES)	BRITISH COMPANIES GUIDELINES	EUROPEAN ECONOMIC COMMUNITY CODE OF ETHICS	CAPE CHAMBER OF COMMERCE	SOUTH AFRICAN COUNCIL OF CHURCHES	URBAN FOUNDATION
TRADE UNIONS		Encourage lawful collective bargaining with Blacks. Recognise Blacks' Unions where they exist.	Companies must recognise the right of the workers to be represented by trade unions.		Recognition and active encouragement of trade unions.	Recognition of basic rights of workers of freedom of association, collective negotiation, lawful strikes and protection against victimisation.
MIGRATORY LABOUR		Choose locations which permit family based labour. Legal aid for pass offenders.		Employers must help to ensure freedom of choice as to place of work, help alleviate effects of migratory labour.	No migrant labour unless married accommodation provided.	

These codes are aimed at broadening the business community's awareness of the need to improve the working, training and pay conditions of all the members of the South African labour force. They form guidelines on which companies may act to try to ensure ethicality in the labour market.

Old Mutual does not have any specific code of ethics. However, it has two documents which underline its general standpoint on ethical issues.

The first is 'A Philosophy of Management', which was written in 1973 by Dr J G van der Horst, Chairman and then Managing Director of Old Mutual. It is contained in a manual 'You and Old Mutual' which is distributed to all new Old Mutual employees. A copy of the 'Philosophy of Management' is in Appendix 6-A.

One cannot, however, define this document as a code of ethics but describe it more as a set of ideals. It stresses seven purposes of Old Mutual.

1. To serve our clients more effectively than any other life office.
2. To earn an increased surplus every year.
3. To maintain high ethical standards.
4. To run the office with a sense of competitive urgency.
5. To keep our service up to date.
6. To make Old Mutual the most exciting place to work in.
7. To earn the respect of the community.

The tone of 'A Philosophy for Management' is more that of paternal advice. It serves a function of introducing the newcomer to Old Mutual but cannot be used as an operating code.

In September 1981 a confidential ten page document, 'Old Mutual General Operating Policies' was issued to Assistant Divisional Manager level and upwards. A copy of this manual is in Appendix 6-B. It is again a code of ethics, but it is a good functional statement on Old Mutual's general areas of operation. It is divided into seven policy statements.

- a. Corporate Policy
- b. Marketing Policy
- c. Investment Policy
- d. Underwriting Policy
- e. Data Processing Policy
- f. Personnel Policies.

All the major points raised by the codes of ethics in Table 6.6. are covered under one or more of the general operating policies enumerated above.

One could criticise Old Mutual's General Operating Policies as a substitute for a code of ethics. There are no enforceable rules or punitive actions mentioned in this document. Another criticism would be that the operating policies are known only to a restricted number of Old Mutual's managers and not to every employee, and thus cannot function as a code of ethics.

One aspect which could be interpreted as an adherence to a code of ethics, accepted also by Old Mutual, is the South African Insurance Industry's concern with the ethics of selling of policies. Guidelines and ethical codes have been formulated by such associations as the South African Insurance Brokers Association (SAIBA), the Institute of Pension Consultants and

Administrators (IPCA) and the Life Underwriters Association of South Africa (LUASA). Copies of these codes can be found in Appendix 6-C.

It should be noted that these codes vary in length, style of language and degree of generality of their content. For example, the IPCA code is very explicit in its rules and regulations while the LUASA code is broader in scope, less specific and consists of only eight general statements. The SAIBA code of conduct designates the guidelines for the behaviour of its members in many selling situations and is comparable to the IPCA code.

The diversity of items covered in the three codes illustrates the difficulty of establishing a common industry-wide code.

APPENDIX 6 – A

A PHILOSOPHY OF MANAGEMENT

A PHILOSOPHY OF MANAGEMENT

by Jan van der Horst, Chairman and Managing Director of
Old Mutual

David Ogilvy managed Ogilvy and Mather, the most successful advertising agency in the world, for twenty years.

When he retired in 1968 he wanted to share what he knew about managing Ogilvy and Mather and wrote a paper in which he enunciated certain principles of management.

Many of these principles, I believe, are equally important to our Society, Old Mutual. I have therefore extracted such principles and transposed them on to our Society:

I set down the principles of management which, in my judgement, are most likely to make Old Mutual prosper. If you endorse these principles, promulgate them, apply them, add to them and revise them during the years to come, our offices will be inspired by UNANIMITY OF PURPOSE. This will give Old Mutual a competitive edge over other offices which lack such unanimity.

Old Mutual is dedicated to seven purposes:

1. To serve our clients more effectively than any other life office.
2. To earn an increased surplus every year.
3. To maintain high ethical standards.
4. To run the office with a sense of competitive urgency.
5. To keep our services up to date.
6. To make Old Mutual the most exciting business to work in.
7. To earn the respect of the community.

Old Mutual is in business to earn a profit for its policyholders through superior service.

Profit is not always synonymous with premiums. We pursue profit not premiums. The chief opportunities for increasing our profit lie in:

1. Increasing premiums from present policyholders.
2. Getting new policyholders.

3. Separating passengers on our staff without delay.
4. Discontinuing obsolete services.

TO KEEP YOUR SHIP MOVING THROUGH THE WATER AT MAXIMUM EFFICIENCY YOU HAVE TO KEEP SCRAPING THE BARNACLES OFF ITS BOTTOM. IT IS RARE FOR A DEPARTMENT HEAD TO RECOMMEND THE ABOLITION OF A JOB OR EVEN THE ELIMINATION OF A MAN; THE PRESSURE FROM BELOW IS ALWAYS FOR ADDING. IF THE INITIATIVE FOR BARNACLE SCRAPING DOES NOT COME FROM MANAGEMENT, BARNACLES WILL NEVER BE SCRAPED.

5. Avoiding duplication of function – two men doing a job which one can do.
6. Increasing productivity.
7. Putting idle people and capital to work.

OFFICE POLITICS

A mutual office is fertile ground for office politics. You should work hard to minimise them because they take up energy which can better be devoted to our policyholders. Here are some ways to minimise internal politics.

1. Always be fair in your own dealings. Unfairness of a manager can demoralise a whole business.
2. Crusade against paper warfare. Encourage your people to air their disagreements face to face.

I want all our people to believe that they are working in the best business in the world. A SENSE OF PRIDE WORKS WONDERS.

The best way to 'install a generator' in a man is to give him the greatest possible responsibility. Our Management should devote more time to this than to routine salary reviews.

Of course salaries must be reviewed at regular intervals and routine raises must be given; they are expected. But the most effective way to use money is to give outstanding performers spectacular rewards at rare intervals. Nothing is too good for our make or break individuals. Superior service and profits depend on making the most of the men on your staff. Give them challenging opportunities, recognition for achievement, job enrichment and responsibility.

TREAT YOUR SUBORDINATES AS GROWN-UPS – and they will grow up. Help them when they are in difficulty. Be affectionate and human, not cold and impersonal.

Involve your staff in management. Give them projects to study and carry out. They enjoy it, and it acts as a multiplier to your own ability.

It is vitally important to encourage free communication UPWARD. Encourage your people to be candid with you. Ask their advice – and listen to it.

Senior men have no monopoly on great ideas. Some of the best ideas come from down the line. Encourage this; you need all the ideas you can get.

Encourage innovation. Change is our lifeblood, stagnation our death knell.

Do not always summon people to your office. Instead, sometimes go to see them in their offices. This makes you visible throughout the business. A manager who never wanders about his business becomes a hermit, out of touch with his staff.

The physical appearance of our offices is important because it says so much about Old Mutual. Our offices must look efficient, contemporary, cheerful and functional.

Try to make working at Old Mutual "FUN". When people are not having fun they seldom produce good work. Kill grimness with laughter. Get rid of sad dogs who spread gloom.

I believe in the Scottish proverb "HARD WORK NEVER KILLED A MAN". Men die of boredom, psychological conflict and disease. They do not die of hard work. Indeed, the harder your people work, the happier and healthier they will be.

It is also the duty of our top men to sustain unremitting pressure on the professional standards of their staff. They must not tolerate sloppy plans or mediocre work. In our competitive business it is suicide to settle for second rate performance.

Training should not be confined to trainees, it should be a continuous process and should include the entire staff. The more our people learn, the more useful they can be to our policyholders.

PRICELESS ASSETS

One of the most priceless assets Old Mutual can have is the respect of our

policyholders and the whole business community. This comes from the following:

1. Our offices must always be headed by the kind of men who command respect.
2. Always be honest in your dealings with policyholders. Tell them what you would do if you were in their shoes.
3. If we do a good job for our policyholders, that will become known. We will smell of success and that will bring us respect.
4. If we treat our employees well they will speak of Old Mutual to their friends. Assuming that each employee has 50 friends then 250 000 people now have friends who work for Old Mutual. Among them are present and prospective policyholders.
5. We must pull our weight as good citizens.

The paramount problem you face is this:

Insurance is one of the most difficult functions in commerce and industry and too few brilliant people want careers in insurance.

INNOVATION

The challenge is to recruit people who are able enough to do the difficult work our policyholders require from us. Make a conscious effort to avoid recruiting dull and pedestrian staff, create an atmosphere of ferment and innovation.

Each Old Mutual division or office is a partnership of free individuals. Our growth depends on our ability to develop a large cadre of able partners.

Each of our offices or divisions has a managing partner and the total responsibility for the office rests on his shoulders. However, if he is wise, he will treat his lieutenants as equals.

If he treats them as subordinates they will be less effective in their jobs; they will come to resent their subordination and leave. Only second raters accept permanent subordination.

For this reason our top management in each division and branch should function like a round table, presided over by the managing partner who is big enough to be effective in the role of primus inter pares, without having to rely on the overt discipline of a military hierarchy with its demeaning pecking order.

The egalitarian structure encourages independence, responsibility and loyalty. It reduces Old Mutual's dependence on one man, who is often fallible, sometimes absent and always mortal. It ensures continuity of style from generation to generation.

In short it would be easier for our office to be run by dictators. But no dictator, however able, can manage a big business successfully, there is too much high level work for one man to do.

The key to success in management lies in the concept of partnership; partnership between our managers and their colleagues at the round table. No division or branch in Old Mutual has a monopoly on brains. The more we bring the resources of our divisions to bear on each other's problems the better. This requires close liaison at many levels; it also requires that each of our divisions and branches conquer their chauvinism.

If we help each other, the sum of our individual parts will give us a competitive advantage over business which allow 'Iron Curtains' to separate one part from another.

It is impossible for me or our General Managers, or Assistant General Managers or Divisional Managers to carry the whole load of leadership single handed. The partners of each and its subordinate managers, must be islands of leadership, inspiring, explaining, disciplining and counselling.

It is not enough for people at this level to concern themselves only with their professional function; they must also be leaders.

It is, therefore, wise in selecting men for managing, to give the job on the basis of leadership ability.

POTENTIAL

The management of manpower resources is one of the most important duties of our managers. It is particularly important for them to spot people of unusual promise early in their careers and to move them up the ladder as fast as they can handle increased responsibility. There are five characteristics which suggest to me that a man has the potential for rapid promotion:

1. He is ambitious.
2. He works harder than his peers – and enjoys it.
3. Has a brilliant brain – inventive and unorthodox.
4. He has an engaging personality.
5. He demonstrates respect for the professional function.

If you fail to recognise and to promote and to reward young men of exceptional promise, they will leave you; the loss of an exceptional man can be as damaging as loss of premium income.

It is the inescapable duty of management to fire incompetent people. This duty is too often shirked.

APPENDIX 6 – B

SOUTH AFRICAN MUTUAL LIFE ASSURANCE SOCIETY

GENERAL OPERATING POLICIES

STRICTLY CONFIDENTIAL

This document has been approved by the Board and is intended as a guide to Management. It is a confidential document and must be treated as such at all times. It must under no circumstances be made available to any staff member below the rank of Assistant Divisional Manager.

Enquiries about the contents or other policy matters should be directed to your senior.

R C LLYOD
MANAGING DIRECTOR

F J DAVIN
MANAGING DIRECTOR

Mutualpark
September 1981.

SOUTH AFRICAN MUTUAL LIFE
ASSURANCE SOCIETY

GENERAL OPERATING POLICIES

A. CORPORATE POLICY

1. The South African Mutual Life Assurance Society, known as Old Mutual, is a mutual life office. As such it has no shareholders and belongs only to its policyholders to whom all profits and losses are attributable. It is committed to continuing as a mutual life office and to writing contracts in the currency of the countries in which it operates and under whose laws contracts are issued and business is done and supervised. This mutuality, however, does not involve the commitment or exposure of funds generated in one country to support the operations in another country.
2. It is Old Mutual's policy to cover liabilities in any one country with assets generated from within that country. Assets generated by local policyholders will be retained in the respective currency areas, but should free assets be released, for example on the termination of, or major reduction in contractual liabilities. Old Mutual would prefer to hold such free assets in the Republic of South Africa.
3. Old Mutual will confine its operations to those countries where it has traditionally transacted business and is committed to standards of excellence in each country in which it operates.
4. Old Mutual will at all times strive for increased efficiency in regard to service to policyholders, consistent with maintaining competitive expense levels.
5. Old Mutual will have regard to stability and equity between different classes of policyholders when distributing surpluses.
6. Old Mutual will operate within sound financial disciplines and will pursue a policy of growth in order to:
 - (a) survive in an inflationary environment
 - (b) provide competitive returns on policyholders' funds
 - (c) create and maintain a competitive advantage for Old Mutual, and

- (d) ensure, for Old Mutual, a prominent position in the life insurance industries within which it operates.
- 7. Old Mutual does not actively seek to grow by the acquisition of other life offices.
- 8. Old Mutual will concern itself with the image and good standing of the life insurance industries within which it operates.

B. MARKETING POLICY

- 1. Old Mutual will conduct its marketing operations with the aim of:
 - (a) achieving its long-term growth objectives
 - (b) providing life insurance and pension provision at an acceptable cost to all market segments and, in doing so, obviating Government intervention and,
 - (c) ensuring that the integrity of Old Mutual is never questioned by the public nor the authorities.
- 2. Old Mutual does not subscribe to conditional selling, and will not use its shareholding in companies to exert undue influence on them to do business with it.
- 3. Old Mutual is committed to marketing its Individual Business products through both its full-time representatives (including the use of part-time Independent Intermediaries) and Brokers. In so doing it will:
 - (a) implement the principle of equivalence of reward and
 - (b) make any product available to all intermediaries who are suitably qualified to sell it. Special products will not be made available for the sole use of a particular marketing channel or group of intermediaries, but this does not preclude different ways of packaging a specific product.
- 4. Old Mutual conducts Group Business only in respect of clearly defined occupational groups or in more loosely defined group not generally covered by Individual Business. Every attempt will be made to avoid duplication of Individual Business

products. Where this is unavoidable, the position must be clarified and agreed to at General Management level.

5. Old Mutual will consider expanding its range of products and services from time to time, either by itself or in conjunction with its associates, provided that the addition complements its current products and services and can be conducted on a sound financial basis.
6. Old Mutual will, in marketing and administering Individual Business,
 - (a) view the needs of policyholders and prospective policyholders as its basic reference point in the development of new or the expansion of existing products and services, while recognising the key role of the intermediaries in selling the products and services, and
 - (b) guide its full-time representatives to build a clientele with the emphasis on servicing their client's needs rather than merely selling policies and will further the acceptance of this principle of Brokers and other intermediaries.

C. INVESTMENT POLICY

1. Old Mutual is a long-term investor and custodian of policyholders' funds. As such
 - (a) it will endeavour to obtain the best possible returns (income and capital) consistent with the need to ensure the safety of capital. Returns should, at all times, be adequate for any additional risks involved;
 - (b) it will seek investments for long-term holding, and will not enter fields where the main activity consists of trading in investments;
 - (c) it will seek to ensure a spread, in all portfolios, of investments over specified sectors, and an adequate spread within each sector.

The emphasis on long-term investments does not exclude strategies such as remaining liquid, or investing short, with a view to taking advantage of increased returns at a later stage, or of arranging switches between long-term investments.

2. Old Mutual will consider strategic investments from time to time when the issues at

stake go beyond pure investment return.

3. Old Mutual does not, in general, seek to become the controlling shareholder in, or become involved in the active management of, the companies in which it invests, but does not exclude these possibilities.
4. Old Mutual must so conduct its investments as lender, landlord and shareholder that its expertise and general desirability as a business partner are recognised by the public. This does not imply being less demanding in the returns sought; fairness and firmness in adhering to investment standards are key notes of Old Mutual's investment policy.

D. UNDERWRITING POLICY

1. Old Mutual will endeavour to retain as much of the mortality risk for its own account as consistent with sound financial policy. However, in the case of sub-standard lives, it will seek the best terms for the client by use of local and, where appropriate, international reinsurers.
2. Old Mutual will aim at underwriting applicants before a policy is issued and will not resort to repudiation of claims to remedy inadequate selection practices. However, in the interests of policyholders as a whole, Old Mutual will repudiate claims where it is clear that there has been non-disclosure of material information at the underwriting or revival stage.
3. Old Mutual will consider ex-gratia payments, of the sum assured or some lesser amount, in certain circumstances, including:
 - (a) when death occurs before the policy has been issued, provided that the first premium has been paid or deemed to have been paid, and that the policy would have been issued had death not occurred and
 - (b) where a claim is repudiated following non-disclosure of material information, provided that the Society is satisfied that the non-disclosure was not deliberate and would have issued the policy with a health-loading, had it been in full possession of all the facts at the time of underwriting.

E. DATA PROCESSING POLICY

1. Old Mutual is committed to the continual improvement and effective usage of data processing facilities, because of the vital role of computers in our current and future operations. This involves:
 - (a) The continual review and assessment of technological advances in hardware and software of relevance to Old Mutual.
 - (b) The maintenance, within the Computer Divisions, of the necessary technical skills to make available to users those hardware and software developments that are considered beneficial to Old Mutual.
 - (c) Strict control of the quality of the system applications on the available computer equipment.
 - (d) A commitment by the users to being fully involved in the understanding of and the development of the systems under their control.
 - (e) The utilisation of a costing mechanism that fairly allocates to the users the costs of data processing operations performed for them.
2. Old Mutual prefers to provide all computer facilities in-house.

F. PERSONNEL POLICIES

1. In order to provide clients and intermediaries with service and advice of a high quality in accordance with the previously stated principles, Old Mutual is committed to creating a climate that permits each employee to realise his or her full potential through:
 - (a) the maintenance of a challenging job structure for management and staff
 - (b) the continued application of the principles of job evaluation, performance appraisal and career development,
 - (c) the provision of effective skills, and management training and
 - (d) the maintenance of a competitive remuneration package and the principle of merit increases based on standards of performance rather than on notch or service increases.

It is the responsibility of line management, and not the Personnel or Manpower

Training Division, to ensure the successful implementation of aspects (a), (b), and (c) above.

2. Old Mutual believes firmly in the equality of treatment and opportunity for all employees regardless of race, sex or religion, and it consequently commits itself to the following:
 - (a) Ensuring that employment, development and promotion is open to all and based on merit.
 - (b) Making active efforts to increase opportunities for employees at all levels in terms of established objectives.
 - (c) Linking remuneration to merit and job evaluation structure.
 - (d) Making fringe benefits available to all.
 - (e) Arranging recreation and other facilities for all staff.

Where differential benefits or facilities exist, distinction is made solely on the basis of status or career orientation.

3. Directorships of other companies can be valuable as a source of training and broadening of the experience of the Officials of Old Mutual. Such representation shall, however, be limited. Any appointment to the Board of a company or an association on behalf of Old Mutual, shall first be approved by the Head Office Board.
4. Old Mutual encourages involvement of its personnel in outside activities and organisations as a means of contributing to society and as a channel for personal development. However, if such involvement is likely to impact materially on normal work hours or if it involves the acceptance of an office of public importance, the matter should be referred to General Management before the position is accepted.

G. GENERAL POLICIES

1. Old Mutual, as a national organisation providing life insurance benefits to a wide spectrum of the population, includes amongst its policyholders persons of many different political and religious beliefs. Old Mutual, as an organisation, therefore,

cannot support any particular political or religious view, and its policy is to take a neutral stance on such matters.

2. The employees of Old Mutual naturally have their individual political and religious views, but are expected to respect the neutral stance of Old Mutual itself. Old Mutual does not concern itself with the personal, social, religious or political activities or views of its employees provided that these do not bring Old Mutual into contentious situations, or convey the impression that Old Mutual itself takes a non-neutral stance, or detract from the employee's ability to perform his or her work in a satisfactory manner.
3. Donations are circumscribed by Old Mutual's Act of Incorporation, and as such must be in the furtherance of education or research and be considered by the Directors to be beneficial to Old Mutual or conducive to the attainment of any of its objectives. Wherever possible, specific projects are sought that will lend themselves to recognition being given for the donation made.
4. Old Mutual prefers to purchase rather than to lease capital equipment, provided that the estimated period of use is more than 5 years. Where rapid technological developments demand that a flexible position be maintained, such as with terminal equipment, the equipment is hired so that advantage can be taken of future developments.

September 1981

APPENDIX 6 – C

CODES OF ETHICS FOR:

- ✧ IPCA
- ✧ SAIBA
- ✧ LUASA

I P C A

INSTITUTE OF PENSION CONSULTANTS
AND
ADMINISTRATORS

CODE OF CONDUCT

CODE OF CONDUCT

1. INTRODUCTION

1.1. TO WHOM THIS CODE APPLIES

This code deals with the conduct of members of the Institute of Pension Consultants and Administrators acting as such. Definitions of members are included in the Rules of IPCA and have the same meanings in this code. The code is bonding equally on organisations which are subsidiaries of larger groups, despite the fact that the larger group is not a member and is therefore not itself bound by the code. The code applies to subsidiaries of a member.

1.2. AIM OF CODE

Pensions and related employee benefits now form such a vital and integral part of the National economy and social structure that a member of the Institute has a particularly onerous duty. Accordingly a member of the Institute accepts that it has a responsibility to ensure that it acts with utmost good faith, integrity, honesty and concern for those that it seeks to advise and service.

1.3. The objective of this Code of Conduct is to create and maintain at all times the highest standards of professional behaviour. The code lays down the appropriate guidelines by which a member will measure its performance with reference to such standards.

1.4. The Institute accepts that full and fair competition between members is to be encouraged, as such competition is in the interests of the general public and of those whom members seek to advise.

1.5. It shall be the responsibility of each member to ensure that all persons engaged in Pension Consultancy within its Organisation are familiar with and comply in all respects with the Rules of the Institute and this Code of Conduct.

1.6. The Institute appreciates that persons engaged in Pension Consultancy may be actuaries or members of other relevant professions and accordingly any such persons so engaged with an organisation which is a member of the Institute will

need to have regard both to this Code of Conduct and any relevant rules relating to such other profession. The Institute does not expect that difficulties will arise but should any conflict of interest become apparent the matter should be referred for guidance in the first place to the Institute's Council.

1.7. The following underlying principles should govern all interpretations of this code, namely:

- (a) A member will at all times act, and must be seen to be acting, impartially and independently and with full regard to its professional status as a Pension Consultant. A member must carry on its functions and services in the most responsible manner and act at all times with the utmost good faith and integrity in providing advice which is unbiased, objective and independent.
- (b) A member will act at all times with the interests of its clients paramount, (subject only to paragraphs 2.3 and 4.2 below) and will avoid misleading, extravagant or exaggerated statements or claims which discredit the service, advice, etc. provided by another member.
- (c) A member will offer advice and services independently only in areas where it is proficient to properly render such advice and services, except as this sub-clause otherwise permits. A member who in any particular area of consultancy does not have the necessary ability or experience to properly carry out the required function may seek assistance from any other member or other appropriate source, on such terms as to remuneration as may be agreed between the parties.

2. INTERESTS OF CLIENT

2.1. A member shall take all reasonable steps to ensure that the advice proffered and services provided are designed for the benefit of the client whose interest will at all times be paramount (subject only to paragraphs 2.3. and 4.2 below).

2.2. A member will place the interests and well-being of the client above all other interests, but will have due regard to the consequences of its actions as they affect others. In advising employers due emphasis will be placed on the reasonable needs, desires, expectations, rights and obligations of employees, scheme members and other beneficiaries.

2.3. In making available both its advice and services a member will have due regard to the public interest and avoid providing advice or services which are detrimental thereto.

3. RELATIONSHIP WITH CLIENT

3.1. The relationship of the member with the client shall be direct and fiduciary one.

3.2. The member shall be appointed by (and may be removed by) the client who will remunerate the member for its services in accordance with the basis of remuneration agreed between the member and the client. A member may accept remuneration for the services provided on whatever basis is acceptable to and agreed with the client.

3.3. Where it is agreed that the member is to be remunerated by a third party the basis of that remuneration and the amount thereof shall be disclosed to the client if he so requests.

3.4. Where the services of a member are terminated by the client in favour of another member (or in favour of some other consultancy source) the member whose services are so terminated will seek to co-operate with the succeeding consultant. In order to ensure a smooth transition of the consultancy function, the member may endeavour to seek agreement with the client, and where appropriate with the succeeding consultant, with a view to establishing a satisfactory basis of remuneration in connection with any work involved in the transition.

3.5. A member will proffer its advice and services directly to the client but at the client's request a member may advise such other persons as the client requires either directly or indirectly through the client and be remunerated for such advice on such basis as is agreed with the client.

3.6. Where a member is providing advice of an actuarial nature the source of any actuarial opinions involved will be disclosed and the member giving such advice shall comply in all respects with the relevant principles of professional conduct of the Institute of Actuaries or the Faculty of Actuaries in Scotland or any other institute approved by the Registrar of Pension Funds.

4. RELATIONSHIP WITH OTHER PARTIES

- 4.1. Information obtained from a client in the normal course of business will not be disclosed to any other parties without the client's consent. Where such consent is given the relationship of the member to its client must be made clear to those other parties.
- 4.2. Where a member provides trustees facilities the duties of trusteeship shall be paramount and this position must be made clear to all other interested parties, including the client.
- 4.3. In any event where there is or appears to be a conflict of interest the member, if that conflict or potential conflict or interest cannot be eliminated, must disclose it.

5. RELATIONSHIP WITH THE MEDIA

- 5.1. A member shall at all times have regard to its professional status as a Pension Consultant and the provision of this Code of Conduct and act accordingly in its relationship with the media.
- 5.2. Suitable publicity for a member is in the public interest and is therefore acceptable, but any publicity which involves comparison with the services given by another member and therefore gives one member unfair advantage over another is not permitted.
- 5.3. Statements made by or on behalf of a member when advertising shall not be misleading or extravagant.
- 5.4. As a matter of principle ICPA members should not make statements to the media contrary to the generally expressed view of the executive committee and council.

6. DISCIPLINARY PROCEDURES

The following extract from the Constitution and Rules of the Institute sets out the way in which any complaint against a member alleging a breach of this code is to be dealt with:

RULE 7.2

If any Member shall fail to observe and comply with any resolution passed by the Council after the same shall have become binding on such member (s) or to remedy any default within one month of receiving notice of a resolution passed by the Council drawing the attention of the Member to such default and requiring the Member to remedy it or if in the opinion of the Council any Member shall have committed any breach of these Rules and/or regulations as laid down by the Council or at any time before or after election has been guilty of improper conduct or unfair dealing of any kind in the course of business or has been guilty of conduct detrimental to the honour, interests or objects of IPCA or calculated to bring the business or profession of its Members into disrepute or has been guilty of discreditable conduct generally or has become bankrupt or gone into liquidation, then such Member may at any Meeting of the Council be expelled from IPCA or suspended from membership for such period (or otherwise penalised) as the Council may in its absolute discretion decide, provided that:

- 7.2.1. such Member shall be given an opportunity of being heard by the Executive Committee;
- 7.2.2. any Member whose conduct is the subject of enquiry under this Rules shall (unless it be otherwise decided by the Executive Committee in any particular case) be deemed not to have resigned until the enquiry is completed and the Executive Committee has reached its decision.

S A I B A

THE SOUTH AFRICAN INSURANCE BROKERS ASSOCIATION

CODE OF CONDUCT

CODE OF CONDUCT

1. This Code of Conduct shall serve as a guide to members and other persons concerned with their conduct but the mention or lack of mention of a particular act or omission shall not be taken as conclusive when considering any question of bad or unethical conduct.

The object of the Code Of Conduct is to assist in establishing a recognised standard of ethical conduct required of insurance brokers and members of this Association. Such members should in the interest of the public and in the performance of their duties, bear in mind both this objective and the underlying spirit of this Code.

Matters which might relate to acts or omissions amounting to negligence will normally be dealt with by the Courts (if necessary) but members should acknowledge that gross negligence or repeated cases of negligence may amount to unacceptable conduct.

2. The following are, in the opinion of the Council, acts or omissions which constitute unacceptable conduct: namely, any acts or omissions that breach the fundamental principles governing the ethical conduct of members as set out in paragraph 3 below.
3. The principles mentioned in paragraph 2 above are:
 - A. Members shall at all times and in relation to all other parties conduct their business activities with the utmost good faith and integrity.
 - B. Subject to Principle A, members shall do all things reasonably practicable to satisfy the insurance requirements of their clients and shall place the interests of those clients before other considerations.
 - C. Subject to Principles A and B, members shall have due and proper regard for the interests of others.
 - D. Statements made by or on behalf of members whether in advertisements or otherwise shall be factual, truthful, dignified, restrained and shall avoid making misleading or extravagant claims.
4. The following, without limiting the generality of the principles mentioned in paragraph 2, are some specific examples of the application of these principles:

- (i) In the conduct of their business, members shall provide advice objectively and independently.
- (ii) Members shall ensure that all work carried out in connection with their insurance broking business shall be under the control and day-to-day supervision of a qualified and experienced insurance broker, and they shall ensure that their employees are made aware of this code and its application in the business.
- (iii) Members shall on request by the client explain the differences in and the relative costs of the principle types of insurance which in the opinion of the insurance broker might suit the client's needs.
- (iv) Members shall, in endeavouring to satisfy the insurance requirements of their clients, give proper consideration to the facilities offered by the whole insurance market.
- (v) Members shall, upon request, disclose to any client who is, or is contemplating becoming the holder of a policy, the amount of commission payable by the insurer under any relevant policy of insurance.
- (vi) Although the choice of an insurer is acknowledged to be a matter of judgement only, members shall use their skill objectively in the best interests of their client.
- (vii) Members shall not withhold from the policyholder any written evidence per documentation relating to the contract of insurance without adequate and justifiable reasons being given in writing and without delay to the policyholder. If a member withholds a document by way of lien for monies due from that policyholder he shall provide the reason in the manner provided above.
- (viii) Members shall inform a client of the names of all insurers with whom a contract of insurance is placed. This information shall be given at the inception of the contract, and any changes thereafter shall be advised at the earliest opportunity to the client.
- (ix) Should a member decide to make any change over and above the normal policy premium, he shall disclose and identify such additional charge to the client.
- (x) Members shall disclose to a client any payment which they receive as a result of securing on behalf of that client any service additional to the arrangement of a contract of insurance.
- (xi) Members shall have proper regard for the wishes of any client who seeks to terminate the members appointment as his insurance broker.

- (xii) Any information acquired by a member from his client shall not be used or disclosed except in the normal course of negotiating, maintaining, renewing or servicing a contract of insurance for that client or unless the consent of the client has been obtained or the information is required by a Court of competent jurisdiction.
- (xiii) When procuring or assisting with the completion of a proposal form, claim form or any other material document, members shall make it clear that all answers or statements are the client's own responsibility. The client should always be asked to check the details and advised that the inclusion of incorrect or misleading information may result in a claim being repudiated.
- (xiv) When a member advertises his own services, the advertisement should be restricted to a factual statement of services provided.
- (xv) Advertising should not promote the policies of any single Insurer unless the reasons for such restriction are fully explained in the advertisement, the Insurer named therein, and the prior approval of that Insurer obtained.
- (xvi) Advertising should distinguish between contractual benefits, those that the contract of insurance is bound to provide, and non-contractual benefits, i.e. the amount of benefits which it might provide assuming the Insurer's particular forecast is met. Where advertisements include a forecast of non-contractual benefits, members shall restrict the forecast to that provided by the Insurer concerned.
- (xvii) When advertising their services directly or indirectly either in person or in writing members shall disclose their identity, occupation and purpose before seeking information or before giving advice.
- (xviii) Members shall display in a prominent position in any office from which they conduct business a notice to the effect that a copy of this Code Of Conduct is available upon request, and that if a member of the public wishes to make a complaint concerning an alleged breach of the Code of Conduct he may lodge a written complaint with the Council of the Association at its registered address.
- (xiv) Whilst recognising the fact and desirability of competition between insurance brokers, members shall:
 - (a) refrain from making use of unfair, improper and distasteful practices in acquiring or retaining business and shall avoid any actions or statements which might be considered to bring their competitors into disrepute.

- (b) use their best offices to maintain and support any valid agreement (written or otherwise) entered into between an Insurer and an Insured and shall not take or recommend any action which might lead to a breach of any such agreement by and to the detriment of either party to such agreement.
- (c) not withhold from Insurers any information known to the member which might influence that Insurer's decisions regarding the underwriting of the risk to which the information relates, and shall not deliberately, either directly, indirectly or by implication, make any false or misleading statements thereanent.

L U A S A

LIFE UNDERWRITERS ASSOCIATION
OF
SOUTH AFRICA

CODE OF ETHICS

LUASA CODE OF ETHICS

1. To hold my business in high esteem and strive to maintain its prestige.
2. To support and further the objectives of the Life Underwriters Association to uphold its principles, and at all times to abide by its Constitution and the laws governing Life Assurance.
3. To respect the confidence of my clients and prospects, putting their interests above my own and advising them without bias and without regard to personal advantage.
4. To adhere rigidly to the observance of the highest standards of business and professional conduct.
5. To respect the prerogatives of, and co-operate with all others whose services are constructively related to ours in meeting the needs of our clients.
6. Not to distort or in any way misrepresent, either orally or in writing, any presentation made by me to a prospective policyholder.
7. Not to rebate any portion of my commission, either directly or indirectly to a prospective policyholder as an inducement to effect a policy.
8. Not to induce an existing policyholder of my own or any other Life Office to surrender, lapse, make paid-up or encumber an existing Life Insurance Policy purely for my own gain, and conscientiously to endeavour to conserve the Life Assurance Policies of my own and any other Life Office.

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CHAPTER SEVEN

7. Social Responsibility

There is no consensus about the definition of social responsibility.

The critics of this concept maintain that social responsibility violates the principles of profit maximisation as applied by the free enterprise system, and that involvement in social activities dilutes this emphasis.

On the other hand, advocates of social responsibility focus on determining what contributions business should make to the society from which it derives its profits, instead of purely exploiting it to make those profits. They emphasise that the social needs of society, if left unfulfilled, turn into upheavals and a diseased society, and no institution can survive in such an environment.

Thus the basic idea of social responsibility is that business decision-makers should be forced to make contributions that support actions which protect and improve the welfare of society as a whole. This would lead to enhancing the quality of life. In this way ideally, harmony could be achieved between business's actions and aims and society's wants and desires.

A further complication in an attempt to clarify the tenets of social responsibility is the fact that some social scientists interpret social responsibility as an ethical issue. However, as interpreted in the preceding chapter, ethics and ethical codes should be understood as a set of moral rights or wrongs. Surely, in terms of the free enterprise system it is morally right to pursue profits but all those actions that may be harming society or lessen its quality of life could be corrected, and their costs should be

incorporated in goods and service prices, as it will be argued in the following sections.

7.1. Arguments Against Social Responsibility

Davis and Blomstrom⁽¹⁾ have proposed a comprehensive list of arguments opposing the concept of social responsibility. These can be summarised as follows:

- Acceptance of social responsibility violates the principle of profit maximisation.
- It results in excessive business costs which, society must ultimately pay, and furthermore, businessmen may lack the perception and skills to deal effectively with social issues.
- Involvement in social goals would affect economic productivity and the role of business in society would become confused.
- Under the free enterprise system the individual businessman does not create social problems, thus he as a businessman, cannot be held responsible for solving these problems.
- Businessmen have no direct lines of accountability to the people.
- Social involvement of business organisations lacks a broad base of support among all groups in society.
- Rhetoric on social responsibility exceeds action - the meaning of social responsibility is so vague as to render it essentially unworkable.
- Business already possesses enough social power and assuming social responsibilities would only increase this power.

One of the most prominent antagonists of social involvement by business is Friedman⁽²⁾, who denounces this concept as a "fundamentally subversive doctrine" and states:

"there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud".

He⁽³⁾ also considers discussion of the social responsibilities of business as analytically loose, with a lack of rigour. He contends that the corporation is only an artificial person and thus cannot be said to have responsibilities.

Friedman propounds the theme that as an individual - the corporate executive - is performing socially responsible activities only when he utilises his own time, money and energy in achieving social goals. The responsibility of the corporate executive in the business environment is to act as an agent for the owners of the company, be they shareholders or policyholders.

His role will generally be to make as much money as possible while conforming to the basic ethical and legal norms by which business is bound.

If the executive performs some socially responsible activity beyond the primary needs of his company, for example by hiring lower skilled Black workers instead of better qualified White workers, he is, according to Friedman⁽⁴⁾:

"spending someone else's money for a general social interest . . . Insofar as his actions accord with his "social responsibility" reduce returns to shareholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customer's money. Insofar as his actions lower the wages of some employees, he is spending their money."

Friedman also feels that the executive is in "effect imposing taxes on the one hand, and deciding how the tax proceeds should be spent, on the other". These actions are clearly the domains of government legislation and concern, not of business. If businessmen were meant to distribute welfare they should have been elected to office through a political process, and held accountable for their actions as politicians.

Businessmen are efficient in running businesses - they do not execute social programmes.

Those who advocate wage and price guidelines and other activities that impinge on the market forces are very shortsighted, replacing an essential efficient system with a bureaucratic one.

Only if the firm has a sufficient degree of monopolistic power could it get involved in social responsibility activities. Thus any corporation proclaiming support of social responsibility "should be a prime candidate for antitrust action"⁽⁵⁾.

Friedman's agreement can be concluded by referring to his Eleventh Commandment⁽⁶⁾: "Thou shall do good at your own expense", which simply means that only individuals can perform social responsibilities, not a company.

Other critics of social responsibility include Levitt⁽⁷⁾, Burck⁽⁸⁾.

Levitt, even goes so far as to brand social responsibility as a "new feudalism,"⁽⁹⁾ while Burck stresses the detrimental effect of pursuing social activities on "rising productivity"⁽¹⁰⁾.

7.2. Arguments in Favour of Social Responsibility

The advocates of social responsibility in business propose that companies must accept and perform social functions that go beyond the basic purpose of maximising profits. The business firm as an intrinsic part of society must face growing demands to enhance the quality of life - one of the primary objectives of social responsibility.

To an increasing degree managers of large companies are conceiving of and implementing social responsibility programmes that they consider to be in the enlightened self-interest of their business - without being compelled to do so. They understand that the interrelationship between society and business organisations has moved from its original relationship, that of a solely economic nature, to one of mutual interdependence.

The general arguments in favour of social responsibility of business are taken from Davis and Blomstrom⁽¹¹⁾. These authors contend that social involvement of business in society has arisen because of the following causes:

- The changed public expectations of business. Society has given a mandate to business to operate and can revoke it if the business does not satisfy society's changing expectations.
- Social responsibility creates a better environment for business. The more advanced, developed and sophisticated the community in which business operates, the more favourable it is for the business

organisation. In the long run, it leads to long-run profit maximisation.

- It helps to improve the public image of business.
- It helps avoid government interference by pre-empting potential constraining legislation.
- It helps balance power with commensurate responsibility. Davis and Blomstrom express the idea that those who do not wield their power in a socially responsible manner will tend to lose it. These authors describe this as the "Iron Law of Responsibility"⁽¹²⁾.
- It helps promote shareholders' long term interests.
- It allows business to try to solve social issues. A task which many other institutions have failed to achieve - so why not turn to business?
- Business has the resources to undertake socially responsible programmes. These resources include managerial talents, functional expertise, capital resources and innovative ability.
- Solving social problems can give rise to future profit opportunities. For example, the supplying of pollution abatement equipment.
- Prevention of social problems is preferable to curing them.

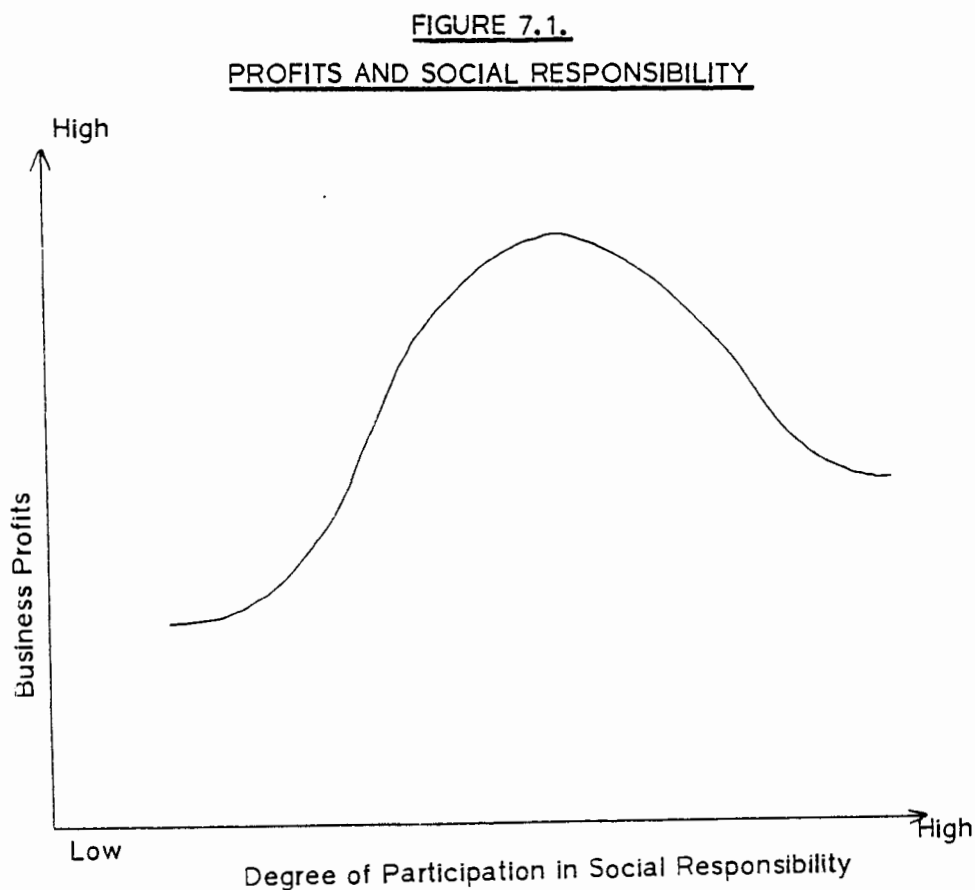
Other proponents of social responsibility, such as Goodpaster and Matthews⁽¹³⁾ disagree on ethical grounds with Friedman's interpretation of the business organisation merely as a legal economic entity. They contend that a corporation can act as a "morally responsible person . . .", and so display responsibilities usually only associated with individuals.

Similarly Parket and Eilbert⁽¹⁴⁾ also mention the "personality of corporations" and posit that social involvement may also be a "phenomenon

of fashions". It is fashionable for a company as a "personality" to be seen to be performing social actions.

Other social scientists like Ostlund who conducted two studies in 1977⁽¹⁵⁾ and 1979⁽¹⁶⁾ respectively, found in both cases that the respondents considered the arguments against social responsibility less important than the arguments in favour of this concept.

Bowan and Haire⁽¹⁷⁾ investigated the question of corporate social responsibility and profit performance, and found this relationship to be represented by an inverted 'U'-shaped curve. This is illustrated in Figure 7.1. below.



SOURCE: Max D. Richards, Organisational Goal Structure, St. Paul: West Publishing Company, 1978, p.86.

This graph⁽¹⁸⁾ shows that up to a certain level increased participation in social responsibility activities results in increasing profits, but further increases in social programmes lead to lower profit levels. The conclusion reached should be that firms participating in social responsibility activities must be selective in the programmes they chose to support in order to avoid any negative impact on their firm's profitability.

A similar finding has been made by Parket and Eilbert⁽¹⁹⁾ who state that there is "a definite and positive relationship between higher profits and greater efforts in terms of corporate social responsibility", although they do not reach the same conclusion on the diminishing returns aspect of social responsibility as Bowman and Haire above.

Holmes⁽²⁰⁾ suggests another selectivity in choosing social responsibility programmes, that of specific competencies a company may possess, and concurs with Ostlund that social responsibility involvement has more positive aspects than negative factors. She also found that "a growing number of executives believe that social involvement is necessary, even through short run profit returns are reduced and no long run returns are probable"⁽²¹⁾.

Another researcher in the field, Moskowitz⁽²²⁾ found that a selected group of companies engaged in social responsibility programmes outperformed other companies less involved in such activities, in terms of market share prices and corporate worth. However, it can be surmised that participating in social responsibility activities does not per se imply company growth and long-term profits but that it may reflect a dynamic management team and a well structured company aware of its environment.

According to the writers' knowledge no similar extensive studies have been made in South Africa, but one conducted by Wagenaar⁽²³⁾, found that a growing social awareness among South African business leaders is taking place. This awareness is mostly concerned with employee's welfare and the belief that profit maximisation is less important than social responsibility.

7.3. Suggested Areas of Social Responsibility

The activities of a modern multi-divisional company cover many areas, and therefore a large number of issues arising in these areas can be considered to be of social importance to the business firm.

The magnitude of importance, and the impact of such issues on the operational functioning of the company may vary greatly from firm to firm and between different industries.

Some authors have attempted to categorise these topics of concern and one of them, McAdam⁽²⁴⁾ has suggested an extensive list of social responsibility issues falling under nine broad headings. These are presented in an adapted form below:

1. Product Line

Internal standards for product:

- quality - does it last?
- safety - can it harm users?
- disposable - is it bio-degradable?
- design - is it inherently safe?

Average product life comparisons versus:

- ☐ competition
- ☐ substitute products
- ☐ internal standards or state-of-the-art built in obsolescence.

Product performance:

- ☐ efficacy - does it do what it is supposed to do?
- ☐ guarantees/warranties - are these sufficient, reasonable, legal?
- ☐ service policy
- ☐ service availability
- ☐ service pricing
- ☐ utility.

Packaging:

- ☐ environmental impact - degree of disposability, recycleability
- ☐ comparison with competition - type and extent of packaging.

2. Marketing practices

Sales practice:

- ☐ Legal standards
- ☐ "Undue" pressure - a qualitative judgement.

Credit practices against legal standards.

Accuracy of advertising claims - specific government and advertising association complaints.

Consumer complaints about marketing practices:

- ☐ Clear explanation of credit terms

- ☐ Clear explanation of purchase price
- ☐ Complaint answering policy
 - answered at all
 - investigated carefully
 - grievances addressed and costs
 - remedial action to prevent future occurrences.

Adequate consumer information on:

- ☐ Product use, e.g. dosage, duration of use, etc.
- ☐ Product misuse
- ☐ Fair pricing
 - between countries
 - between locations
- ☐ Packaging.

3. Employee Education and Training

Policy on leave of absence for:

- ☐ full-time schooling
- ☐ courses given during working hours.

Amount of money spent on training:

- ☐ for vocational training
- ☐ training for disadvantaged workers
- ☐ tuition (job-related versus non-job related)
- ☐ special, upgrading and career development programmes
- ☐ compare versus competition.

Special training programme results - systematic evaluations:

- ☒ numbers trained in each programme each year
- ☒ cost per trainee
- ☒ number or percent of workers still with company.

Plans for future programmes.

Career training and counseling.

Failure rates.

Extend personnel understanding:

- ☒ jobs
- ☒ skills required later
- ☒ incentive schemes now available
- ☒ specific actions for promotion.

4. Corporate Philanthropy

Contribution performance:

By category, for example:

- ☒ art
- ☒ education
- ☒ poverty
- ☒ health
- ☒ community development
- ☒ public service advertising.

Amount of money spent (materials and man-hours):

- ☐ as a percent of income
- ☐ compared to competition.

Selection criteria for contributions.

Procedures for performance tracking of recipient institutions or groups.

Programmes for permitting and encouraging employee involvement in social projects:

- ☐ on company time
- ☐ after hours only
- ☐ use of company facilities and equipment
- ☐ manpower support
 - number of people
 - man-hours.

5. Environmental Control

Measurable pollution resulting from:

- ☐ acquisition of raw materials
- ☐ production processes
- ☐ products
- ☐ transportation of intermediate and finished products.

Violation of government standards

Cost estimates to correct current deficiencies.

Extent to which various plants exceed current legal standards.

Resources devoted to pollution control:

- ▣ capital expenditures
- ▣ R & D investments
- ▣ personnel involved full-time or part-time.

Efforts to monitor new standards as proposed.

Programme to keep employees alert to spills and other pollution related accidents.

Procedures for evaluating environmental impact of new packages or products.

6. External Relations

Community Developments:

Support of minority and community enterprises through:

- ▣ purchasing
- ▣ sub-contracting.

Investment practices:

- ▣ ensuring equal opportunity before locating new facilities
- ▣ identifying opportunities to serve community needs through business expansion - e.g. housing rehabilitation.

Government regulations:

- ▣ specific input to public policy through research and analysis
- ▣ participation and development of business/government programmes.

Political contributions:

- ▣ extent of public disclosure of performance by activity category
- ▣ measure of employee understanding of programmes such as:
 - pay and benefits
 - equal opportunity policies and programmes
 - position on major economic or political issues (as appropriate).

Relations/communications with constituencies such as shareholders, fund managers, major customers and so on.

International:

- ▣ comparison of policy and performance between countries and versus local standards.

7. Employee Relations, Benefits and Satisfaction with Work

Comparison with competition or national averages:

- ▣ salary and wage levels
- ▣ retirement plans
- ▣ turnover and retention by level
- ▣ profit sharing
- ▣ day care and maternity
- ▣ transportation

- ▣ insurance, health programmes and fringe benefits
- ▣ participation in ownership of business through share purchases.

Comparison of operating units on promotions, transfers, terminations and hires against breakdown of:

- ▣ age
- ▣ sex
- ▣ race
- ▣ education level.

Performance review system and procedures for communication with employees whose performance is below average.

Promotion policy - equitable and understood.

Transfer policy

Termination policy - how early is 'notice' given.

General working environment and conditions:

- ▣ Physical surroundings
 - heat
 - ventilation
 - space per person
 - lighting
 - air conditioning
 - noise
 - leisure, recreation, cultural opportunities.

Fringe benefits as a percentage of salary for various salary levels.

Evaluation of employee benefit preferences.

Evaluation of employee understanding of current fringe benefits.

Union/industrial relations:

- ▣ grievances
- ▣ strikes.

Confidentiality and security of personnel data.

8. Blacks, Minority Groups and Women - Employment and Advancement

Current hiring policies in relation to the requirements of all affirmative action programmes.

Specific programme of accountability for performance.

Company versus local, industry and national performance:

- ▣ number and percent Blacks, minority groups and women employees hired by various job classification over last five years
- ▣ Blacks, minority groups and women and white worker turnover comparisons
- ▣ inducements for discriminatory hiring practices.

Percent Blacks, minority groups and women employment in major facilities in relation to labour force available locally.

Number of Blacks, minority groups and women members in position of high responsibility.

Promotion performance of Blacks, minority groups and women.

Specific hiring and job upgrading goals established for Blacks and women:

- ▣ basic personnel strategy
- ▣ motive and cost of special recruiting efforts
- ▣ risks taken in hiring Blacks, minority groups and women.

Programmes to ease integration of Blacks, minority groups and women into company operations e.g. awareness efforts.

Specialised career counselling.

Special recruiting efforts for Black, minority groups and women.

Opportunities for the physically handicapped:

- ▣ specific programmes
- ▣ numbers employed.

9. Employee Safety and Health

Work environment measures:

- ▣ government requirements
- ▣ other measures of working conditions.

Safety performance:

- ▣ accident severity - man hours lost per hours worked

- ☐ accident frequency
- ☐ disabling injuries
- ☐ fatalities.

Services provided and costs of programmes and manpower for:

- ☐ required by law/regulation
- ☐ not required.

Comparisons of health and safety, performances with competition and industry in general.

Developments/innovations in health and safety.

Employee health measures e.g. sick days, medical facilities.

Food facilities:

- ☐ cost/service to employees
- ☐ nutritional value.

For comparative purposes it is useful to consider a list of the current activities performed by the corporation which was prepared for the Committee of Economic Development⁽²⁵⁾. These activities are broken down into ten sub-categories.

1. Economic Growth and Efficiency:

- ☐ increasing productivity in the private sector of the economy

- ✧ improving the innovativeness and performance of business management enhancing competition
- ✧ co-operating with the government in developing more effective measures to control inflation and achieve high levels of employment
- ✧ supporting fiscal and monetary policies for steady economic growth.

2. Education:

- ✧ direct financial aid to schools, including scholarships, grants, and tuition refunds
- ✧ support for increases in school budgets
- ✧ donations of equipment and skilled personnel
- ✧ assistance in curriculum development
- ✧ aid in counselling and remedial education
- ✧ establishment of new schools, running schools and school systems
- ✧ assistance in the management and financing of colleges.

3. Employment and Training:

- ✧ active recruitment of the disadvantaged
- ✧ special functional training, remedial education and counselling
- ✧ provision of day care centres for children of working mothers
- ✧ improvement of work/career opportunities
- ✧ retraining of workers affected by automation or other causes of joblessness
- ✧ establishment of company programmes to remove the hazards of old age and sickness

- ▣ supporting where needed and appropriate the extension of government accident, unemployment, health and retirement systems.

4. Civil Rights and Equal Opportunity

- ▣ ensuring employment and advancement opportunities for minorities
- ▣ facilitating equality of results by continued training and other special programmes
- ▣ supporting and aiding the improvement of Black education facilities, and special programmes for Blacks and minorities in integrated institutions
- ▣ encouraging adoption of open-house ordinances
- ▣ building plants and sales offices in the 'ghettos'
- ▣ providing finance and managerial assistance to Black and minority enterprises, and participating in joint ventures.

5. Urban Renewal and Development

- ▣ leadership and financial support for city and regional planning and development
- ▣ building or approving low income housing
- ▣ building shopping centres, new communities and new cities
- ▣ improving transportation system.

6. Pollution Abatement

- ▣ installation of modern equipment
- ▣ engineering new facilities for minimum environmental effects
- ▣ research and technological development

- ▣ co-operation with municipalities in joint treatment facilities
- ▣ co-operating with local, . . . regional . . agencies in developing improved systems of environmental management
- ▣ developing more effective programmes for re-cycling and re-using disposable materials.

7. Conservation and Recreation:

- ▣ augmenting the supply of replenishable resources, such as trees, with more productive species
- ▣ preserving animal life and the ecology of forests and comparable areas
- ▣ providing recreational and aesthetic facilities for public use
- ▣ restoring aesthetically depleted properties such as strip mining
- ▣ improving the yield of scarce materials recycling to conserve the supply.

8. Culture and the Arts:

- ▣ direct financial support to art institutions and the performing arts
- ▣ development of indirect support as a business expense through gifts in kind, sponsoring artistic talent, and advertising
- ▣ participation on boards to give advice on legal, labour and financial management problems
- ▣ helping to secure government financial support for local or state arts councils.

9. Medical Care:

- ▣ helping plan community health activities

- ✧ designing and operating low-cost medical care programmes
- ✧ designing and running new hospitals, clinics, and extended care facilities
- ✧ improving the administration and effectiveness of medical care
- ✧ developing better systems for medical education, nurses' training
- ✧ developing and supporting a better national system of health care.

10. Government:

- ✧ helping improve management performance at all levels of government
- ✧ supporting adequate compensation and development programs for government executives and employees
- ✧ working for the modernisation of the nation's governmental structure
- ✧ facilitating the reorganisation of government to improve its responsiveness and performance
- ✧ advocating and supporting reforms in the election system and the legislative process
- ✧ designing programmes to enhance the effectiveness of the civil service
- ✧ promoting reforms in the public welfare system, law enforcement, and other major governmental operations.

The range of activities in which a company may engage is really very wide, and many of them may call for social involvement.

The issues involved are not mutually exclusive but from a broad interrelated

framework. This broadness compounds the difficulty of top managers in selecting the area of immediate social concern to their firms, even if the managers are socially orientated.

Holmes⁽²⁶⁾ found the most prominent criteria for selecting areas of social involvement to be:

1. Matching of a social need to corporate skill, need or ability to help.
2. Seriousness of social need.
3. Interest of top managers.
4. Public relations value of social action.
5. Government pressure.
6. Pressure of general public opinion.
7. Pressure from special interest groups.
8. Amount of corporate effort required.
9. Measurability of results, or some form of cost/benefit analysis of social effort.
10. Profitability of the venture.

Despite the extensive interaction of the modern business firm with society, the firm itself has no one prominent single group to which it may be made responsible. Management must take cognisance of the views and influences of all the groups constituting its publics.

Furthermore, how the managers react to the idea of social responsibility depends to a large extent on their interpretation of its definition and underlying concepts. It is to this problem we now focus our attention.

7.4. Various Approaches to the Concept of Social Responsibility

Although the differences in not accepting or accepting the burden of social responsibility have been sufficiently dealt with in sections 7.1 and 7.2 respectively under the headings of arguments against and arguments for social responsibility; it is interesting to illustrate still further how mostly social scientists writing on the problems of social responsibility interpret the concept.

There are various viewpoints and these range from the responsibility of profit maximisation to the total integration of all the activities of the firm geared towards the social needs of society.

So for example, Carrol⁽²⁷⁾ having surveyed these differing concepts has listed some of these as reflected below:

1. Profit making only - Friedman⁽²⁸⁾.
2. Going beyond profit making - Davis⁽²⁹⁾, Backman⁽³⁰⁾.
3. Going beyond economic and legal requirements - McGuire⁽³¹⁾.
4. Voluntary activities - Manne⁽³²⁾.
5. Economic, legal, voluntary activities - Steiner⁽³³⁾.
6. Concentric circles ever widening - CED⁽³⁴⁾, Davis and Blomstrom⁽³⁵⁾.
7. Concern for the broader social system - Eells and Walton⁽³⁶⁾.
8. Responsibility in a number of social problem areas - Hay, Gray, and Gates⁽³⁷⁾.
9. Giving way to social responsiveness - Ackerman and Bauer⁽³⁸⁾, Sethi⁽³⁹⁾.

Other writers have offered still different categorisations such as:

1. Responsibility and legality - Dalton and Cosier⁽⁴⁰⁾.
2. Maintaining a social balance - Sawyer⁽⁴¹⁾.
3. The social responsibility of the firm and the role of government regulations - Jacoby⁽⁴²⁾.

The above viewpoints on social responsibility offer an insight into the awareness of this concept as interpreted mostly by social scientists, and at the same time they show the lack of uniformity in definition and structure. Furthermore, the definitions used borrow from one another.

This lack of conformity of definition is one of the major problems in the institutionalization and consistent implementation of social responsibility programmes.

7.5. The Institutionalization and Implementation of Social Responsiveness

Even in the case where the general concept of social responsibility is accepted by business organisations, their response may still range on a continuum from no action taken at all to a very pro-active approach.

This latter approach has been conceptualised by several writers who present their broad schemes to illustrate businesses' possible modes of action to social responsibility demands.

McAdam⁽⁴³⁾ has described four social responsibility philosophies that a company could follow, as shown in Figure 7.2 below:

FIGURE 7.2

McADAM'S FOUR SOCIAL RESPONSIBILITY PHILOSOPHIES

<u>Social Responsibility Philosophy</u>	<u>Resulting Level of Effort</u>
Lead the industry	Substantial experimentation and applied research; some failures should be anticipated when breaking new ground.
Be progressive	Large effort to grapple with full range of issues; some breaking of new ground likely.
Do only what is required	Careful investigation of all requirements, plus advanced planning for likely new requirements.
Fight all the way	No action other than defensive reaction to likely criticism/ investigation.

Davis and Blomstrom⁽⁴⁴⁾, discuss five other courses of possible action:

1. Withdrawal - the company tries to reduce all contact with society other than those of a purely economic nature.
2. Public relations approach - the company issues press statements, and officials make speeches about the company's achievement in social areas. This method is used extensively in crisis situations.
3. Legal approach - the company operates within the minimum requirements of law.
4. Bargaining - the company negotiates with those pressure groups which make claims against it.

5. Problem solving - this is a genuine effort on the part of the firm to meet society's claims and reach optimal solutions within its financial and material resources possibilities.

These approaches are very general in scope and do not adequately handle specific questions and dilemmas arising in practice. In the real world the principle goal of the socially responsible firm is to achieve both a high level of social responsiveness and good economic performance; and herein lies the dilemma for management - how to incorporate and absorb a growing array of societal demands into its operation that may reduce its efficiency and effectiveness.

Further problems which arise when implementing social responsiveness include⁽⁴⁵⁾:

1. What structural changes do companies need to make to integrate social concern into the planning process?
2. What are the nature and extent of social action programmes?
3. What problems do companies encounter in designing and implementing social action programmes?
4. How do size, industry, profitability and ownership variables contribute to differences in management responses?

7.5.1. Structural Changes and Policies

Regarding possible structural changes, Buehler and Shetty⁽⁴⁶⁾ contend that three variables are indicative of these changes in an organisation resulting from the implementation of social responsibility programmes.

1. The establishment of corporate social policies.

2. The creation of a new organisation unit.
3. The election of special interest group-representatives to the Board of Directors.

In respect of social policies the rationale behind explicitly stating them may be threefold:

- (a) Top management's desire to assure a strong commitment to provide a favourable climate for the company's social activities.
- (b) The desirability of a positive and consistent response to social responsibility issues.
- (c) The need to produce some visible evidence of the firm's concern for both internal and external pressure groups.

Dealing with the need to create a new organisational unit, certain companies maintain that there is no necessity for such a change in the organisation's hierarchy as corporate social activities are performed by all managers as part of their normal duties. However, many large organisations have departments specifically concerned with social responsibility issues, or appoint an executive to deal with social responsiveness. These approaches will be treated in more detail in section 7.6

The proposal for electing representatives to the Board of Directors to represent special interest groups has met with both interest and concern (Blumberg⁽⁴⁷⁾, Jacoby⁽⁴⁸⁾, Mace⁽⁴⁹⁾).

Some writers on the topic suggest that outside directors could ideally focus attention on social issues and thus broaden the perspective of the other "permanent" directors. Purcell⁽⁵⁰⁾ even proposes the appointment of a

specialist in ethics to the Board - an ethical "angel's advocate".

On their side, critics claim that outside directors would not have the best interests of the company at heart and would demonstrate more concern for the pressure groups. Board meetings would degenerate into debating sessions with members pursuing conflicting aims, and thus would be unable to reach meaningful consensus.

Other serious shortcomings would also include:

- who would actually elect such outside directors?
- would the minority directors actually have enough knowledge about corporate politics and board procedures to function meaningfully?

7.5.2. Size, Industry, Profitability and Ownership -

Buehler and Shetty⁽⁵¹⁾ found that:

"as a company grows in size, a greater degree of concern and commitment is expressed through a restructuring of the organisation to facilitate systematic responses to social issues".

This is consistent with the idea that larger companies possess more skills and resources for responding to social problems.

They also suggested that a positive relationship exists between the number of shareholders and the firm's social commitment. The larger the number of shareholders the more committed was the company to social responsibility. Such a relationship might be due to at least two related reasons:

1. The ownership dispersion may lead to increased corporate concern about a favourable climate among shareholders.
2. The more shareholders, the more shareholders' pressures and proposals for changes and involvement.

The question of company size as an influencing factor for establishing a favourable climate for social responsibility has also been considered by Dalton and Cosier⁽⁵²⁾.

According to them an organisation should be responsible for its impact on society, whether they are intended or not. The prices of the organisation's products and services are, at least in part, a function of their costs of manufacture and delivery. The difference between the cost and price charged is profit, and this is the reason for the company's operations.

However, very often society underwrites portions of the organisation's costs in terms of the impacts on the ecology made by the production process. The question is therefore, who should be made responsible for such impacts?

Dalton and Cosier⁽⁵³⁾ also contend that in the area of social responsibility it is reasonable and even commendable for organisations to engage in behaviour for society, but it must be noted that there are no rules about what, where, when, how much and how often to proceed with such activities. A certain power responsibility equation has been suggested which essentially argues that the social responsibility expected of an

organisation should be commensurate with the size of the social power it exercises. Therefore, the larger an organisation grows the more power it commands over society, and logically and forcibly society takes greater interest in the affairs and the impacts of these organisations. Society has naturally a lesser expectation of social responsibility from smaller companies and the authors refer to this as "double standards".

Other major problems according to Beuhler and Shetty⁽⁵⁴⁾ in implementing social responsibilities revolve around three basic interrelated issues. These are:

- (a) Changing prices - how does a company adjust the price of its products to cater for potential costs of social responsibility programmes, without affecting its profits?

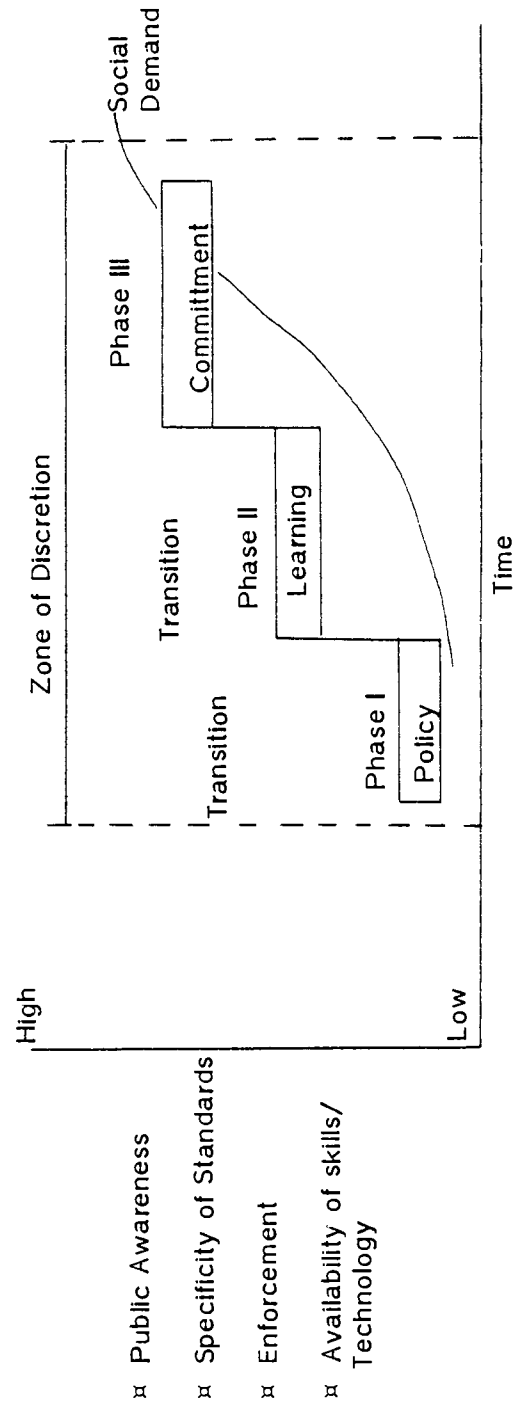
In general, an erroneous belief exists among those who pressurise for the acceptance of social responsibility is that companies earn excess profits, which would permit them to cover the supplementary costs related to implementing social responsibility. The question is rather - should the firm incorporate social costs in its products?

- (b) Adjusting to legal requirements.
- (c) Developing the required technology - for example, creating training facilities or pollution control equipment.

Ackermann⁽⁵⁵⁾ uses a three phase approach to show how social responsiveness can be institutionalised into business organisations. Figure 7.3 below illustrates his interpretation.

FIGURE 7.3

PATTERNS OF CORPORATE RESPONSIVENESS



SOURCE:

Robert W. Ackerman, The Social Challenge to Business,
Cambridge, Massachusetts: Harvard University Press, 1975, p.
64.

Ackerman pays attention to the real world problems of the large divisionalised company where the performance appraisal, evaluation, and reward systems of managers are related to their economic prowess and not to their social involvement. He also emphasises the problem of the inadequacy of financial reporting systems when measuring societal problems.

In his approach, Ackerman identifies a general emerging evolutionary response pattern to societal issues which takes six to eight years to materialise.

It must be realised however, that each social issue has its own particular characteristics and evolutionary path, and thus the signals the company perceives concerning these issues may not always be clear. He terms this evolving period the "zone of discretion."

Phase one of the institutionalisation process involves the recognition by the chief executive of the social issues facing the company. He may rationalise his concern as a matter of general social responsibility or only of enlightened self-interest.

He becomes actively involved in studying the issues, by influencing opinions on the matter, by making speeches, and eventually by committing corporate resources to resolve the issues. He communicates his interest to all managers in the organisation and a generalised social policy then can be formulated.

The directives from top management which are communicated to subordinates are couched in such terms which imply that the firm will

benefit in the long run. However, the idea of social responsibility does not attract much attention from the operating units. The reason for this weak response is that managers lack evidence of the company's real commitment to the cause; responsibilities are not clearly stated; there is no reward or punishment system or recordkeeping for social involvement. The feeling among the lower levels of management persists that economic performance is a necessary condition for promotion, not social responsiveness.

Phase two is characterised by the appointment of a social responsibility officer or senior executive to co-ordinate the company's social policies and mediate between all the levels of the organisation. The manager in charge of the company's social responsibility efforts, needs to use a systems approach to explore all the interrelationships among the social issues to be examined. Only then are all the likely trends and impacts likely to be predicted.

The role of this manager is one of adviser and co-ordinator whose chief concern is to use learning experiences to prepare to face future social issues.

Phase three is the actual institutionalisation of social responsibility throughout the organisation - this is the process whereby resources are allocated and reward systems put into action to stimulate manager's future commitment.

However, there are problems to be faced when accepting social responsiveness. One is the tendency to approach new problems with old

answers or solutions. Another problem is to base social performance appraisal on new "social parameters" and so establish social accounting and review procedures.

The operating managers must assist in formulating social policies as they are usually the first to be affected by them. This may call for what Ackerman⁽⁵⁶⁾ terms "the creative function of trauma". Using this approach top managers show their deep concern for social programmes which were not fully implemented, and thus help influence future social performance.

The stages of recognising social issues and instituting the response process calls for a high degree of managerial flexibility, and certain steps can be taken to facilitate the proceedings.

The danger is that of trying to achieve too much too soon and this must be avoided because the time and energy of top executives is limited, and the tolerance of any large organisation to abrupt changes is usually low.

The appropriate use of specialists in social affairs is particularly valuable in the formative stages of the response process, but potential conflict between line and staff personnel must be guided against.

The actual response strategies must be formulated with the same care and awareness of say, product-market strategies in the firm's total planning strategy. No short cuts should be taken. It may not be possible to measure long-term benefits or social costs but the level of analysis should be consistent with all the company's other strategic plans.

The discussed Ackerman's three phase framework is illustrated below in Figure 7.4.

FIGURE 7.4

CONVERSION OF SOCIAL RESPONSIVENESS FROM POLICY TO ACTION

Organisation Level	Phases of Organisational Involvement		
	Phase 1	Phase 2	Phase 3
Chief Executive	<p>Issue: Define and communicate corporate positions</p> <p>Action: Enriched purpose, increased awareness</p> <p>Outcome: Enriched purpose, increased awareness</p>	<p>Issue: Obtain knowledge Add social issue specialists</p>	<p>Issue: Obtain organisational commitment Change performance expectations</p>
Social Issue Specialists		<p>Issue: Technical Problem Design data system and interpret environment</p> <p>Outcome: Technical and administrative skills acquired</p>	<p>Issue: Provoke response operating units Apply data system to performance</p>
Division Management		<p>Issue: Management problem Commit resources and modify procedures</p> <p>Outcome: Increased responsiveness</p>	

From what has been discussed above, the implementation of social responsibility into a business organisation may best be carried out by a corporate social responsibility officer or department.

7.6. The Corporate Social Responsibility Officer or Department

The introduction of such a person or unit in a large company will modify the present organisational structure minimally as it would be only a staff function.

Ackerman⁽⁵⁷⁾ has justified this organisational addition on the grounds that someone must:

- (a) Give emphasis and direction to the social policy.
- (b) Interpret social demands and develop a corporate position on them.
- (c) Add requisite skills to the organisation.
- (d) Co-ordinate the response of operating units.
- (e) Assist senior officers in the performance of their duties.

Very similar points have been suggested by Buehler and Shetty⁽⁵⁸⁾ who describe the basic job of managers in charge of social responsibility as the need:

- (a) To maintain a favourable climate for the company.
- (b) To co-ordinate the social activities of the company.
- (c) To help functional managers implement company programmes in various social responsibility areas.
- (d) To develop and recommend company policy and strategy in the social responsibility areas.
- (e) To advise top management on major social and environmental developments affecting the company.

In their research into the essential characteristics and skills required of a corporate social responsibility officer, Eilbert and Parket⁽⁵⁹⁾ derived a typical profile of this executive as:

"an older, highly educated male possessing communications or contact experience."

No women were found suitable for the position of a social responsibility officer.

This executive should have direct access to the chief executive officer and to top level management. This senior position in the organisation is important because it enables the social responsibility executive to keep in contact with the chief policy-makers and allows him to filter ideas concerning social responsibility through to top management.

There are a plethora of names by which a social responsibility executive may be called. For example, a corporate relations official, and urban affairs manager, director of minority relations and community development, and public affairs manager, to name but a few.

Regardless of the term used, the corporate social responsibility executive will have to be supported by a relatively small staff - the corporate relations department possessing the required qualities.

However, not all companies direct their social responsibility activities through a social responsibility manager, but make use of several alternatives⁽⁶⁰⁾:

One of these approaches is to make use of a task force, composed of multi-disciplinary experts, where quick social actions may be required. This method is fundamentally crisis orientated and is thus not very effective in medium and long range social planning. It also suffers from the fact that its members are only part-time participants in the social responsibility activities, and no consistent method in dealing with social issues can therefore be achieved.

Another approach is the use of a permanent Board Committee. This has the advantages of demonstrating top management concern for social responsibility issues.

Since most Board members are assumed to have a broad perspective into social matters their approach to solving social responsibility issues may be more appropriate.

The main disadvantages of the Board Committee are that the Board members may not have the day-to-day knowledge of the company's operations and must therefore rely on a good support team; and furthermore most Board directors have too heavy schedules or time commitments to fully devote their attention to social responsibility problems.

Finally, a third approach is the use of a permanent management committee which has the same logistical support needs as those of the Board Committee, but such a committee is more familiar with daily company operations. It may however, still be hampered by a lack of objectivity.

The above mentioned support teams would eventually evolve over time into a social responsibility department with a corporate responsibility executive in charge. As far as the proposed role of this corporate responsibility executive is concerned, his function would be precisely that of acting as a "change agent" to direct the organisation's attention to social demands.

To summarise, several activities are involved in the function of an executive in charge of social responsibility matters. These are:

1. Surveying the environment to develop a greater understanding of the issues impacting on the firm.
2. Establishing where and how, the social activities of the firm are directed.
3. Establishing budgets and programmes in social responsibility activities.

In effect the social responsibility executive is performing a "social audit", a concept that merits further investigation.

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CHAPTER EIGHT

8. The Corporate Social Audit

The corporate social audit can be considered as a natural evolutionary step in the measurement and implementation of a firm's social responsibility efforts.

Sethi⁽¹⁾ defines the purpose of the social audit as:

"to help break down the broad term 'social responsibility of business' into identifiable components and to develop scales that can measure these components".

To Bauer and Fenn⁽²⁾ the social audit means:

"a commitment to systematic assessment of and reporting on some meaningful, definable domain of a company's activities that have social impact".

The application of the social audit concept in the business organisation has been slow due to the lack of clarity in the extent and nature of the process itself, and the inability to offer precise objective measurements of a firm's social endeavours and achievements.

8.1. The Origins of the Initial Concept of the Social Audit

In 1972, Steiner⁽³⁾ erroneously credited Bowen⁽⁴⁾ with first proposing the term "social audit" already in 1953. However, Carroll and Beiler⁽⁵⁾ traced this concept back to the work of Kreps⁽⁶⁾ published in 1940, who used this

term as it is applied today - to measure the social performance of business.

The following excerpts confirm Kreps' viewpoint:

"Making money versus making goods, as Aristotle pointed out, constitutes the basic social audit of economic institutions and practices."⁽⁷⁾

"The acid test of business is not the profit-and-loss statement but the social audit".⁽⁸⁾

Kreps' social audit used six measures.

These are⁽⁹⁾:

1. Employment
2. Production
3. Consumer effort demanded (what have consumers been compelled to surrender in exchange for what they get?)
4. Consumer funds absorbed (what has happened to the stream of dollars which the industry has collected from the public and its customers, in exchange for services rendered?)
5. Payrolls
6. Dividends and interest.

His realisation of the incompleteness of these yardsticks is reflected in his following statement:

". . . six items by no means constitute a complete or thorough-going audit. For they give no indication of such vitally important facts as percent of capacity operated, investment outlet provided, opportunity for new entrants, stability of operations, fullness of use of patents, modernisation, tariff-subsidy or nuisance - costs to consumers and the like".⁽¹⁰⁾

Kreps' work provided valuable insight into the operations of the companies he investigated and was far advanced for the time in which these findings appear. He recognised the potential controversy of the topic and the difficulty of inventing meaningful measurements.

Even Bowen's later efforts in the same topic were also too innovative for his time. He envisaged an audit conducted every five years by a group of specialised auditors, whose findings were to be used by the company's directors and managers.

He suggested eight areas of concern for such an audit⁽¹¹⁾:

1. Prices
2. Wages
3. Research and development
4. Advertising
5. Public relations
6. Human relations
7. Community relations
8. Employment.

He also suggested four advantages of the social audit which are still valid today, and these are⁽¹²⁾:

1. It would provide a recognised method for bringing the social point of view to the attention of managers.
2. The appraisal of individual corporations would be made by persons

outside the company who would have a more disinterested and detached view of its activities than company employees.

3. The creation of a specialised group of social auditors would give an impetus to the consideration and development of recognised social standards for corporate practice.
4. The fact that the report on the audit would be made to the company and not to the public would make possible complete frankness and at the same time would make the scheme more acceptable to businessmen.

A comparison between the Kreps' audit and Bowen's approach is presented in Figure 8.1 below⁽¹³⁾.

FIGURE 8.1.

TWO LANDMARK MODELS OF THE SOCIAL AUDIT

<u>Subject</u>	<u>Kreps' 1940 Audit</u>	<u>Bowen's 1953 Audit</u>
Definition	Acid test of business performance	Evaluation of the performance of business from a social point of view
Purpose	Government evaluation of businesses' social performance	The firm's evaluation of its social performance
Apparent Motives	Establish criteria for future evaluations. Establish the technique for society to influence business performance	Bring social point of view to management
Nature of Issues Audited	Quantifiable areas: 1. Employment 2. Production 3. Consumer effort commanded 4. Consumer funds absorbed 5. Payrolls 6. Dividends and Interest	Company policy toward: 1. Prices 2. Wages 3. Research and development 4. Advertising 5. Public Relations 6. Human relations 7. Community relations 8. Economic stabilisation
Use	By society to assess business performance	By management to assess its performance
Methodology	Evaluation of public information employing economic indices	Judgmental appraisal of company policy
By Whom Conducted	A government bureau	Internal personnel or an industry agency

It is interesting to note the differences in emphasis of these two approaches. Kreps' audit attempted to assess business performance with society in mind, while Bowen's audit was considered by the author as an internal management tool.

Furthermore, Kreps' audit was more economically orientated than Bowen's, and his range of topics measured was narrower.

The differences in emphasis are mostly due to the fact that what were important social issues of the 1940's are now considered to be only economic in nature.

8.2. The Present Day Social Audit

The currently applied audits have been developed to allow individual businesses to monitor, measure and appraise their social performances of every kind.

Numerous approaches have been formulated and the description of such social audits can be found from many sources (Abt⁽¹⁴⁾, Linowes⁽¹⁵⁾, Cooper and Raiborn⁽¹⁷⁾).

At present, the motives for companies engaging in social audits are diverse in scope and include⁽¹⁸⁾:

1. To examine what the company is actually doing in selected areas.
2. To appraise or evaluate performance in selected areas.
3. To identify those social programmes which the company feels it ought to be pursuing.

4. To inject into the general thinking of managers a social point of view.
5. To determine where the company may be vulnerable to attack.
6. To ensure that specific decision-making processes incorporate a social point of view.
7. To meet public demands for corporate accountability in the social area.
8. To inform the public of what the company is doing.
9. To identify those social programmes which the company feels pressured to undertake.
10. To offset irresponsible audits made by outside self-appointed groups.
11. To increase profits.

As indicated above, companies may have various reasons for applying a social audit. Butcher⁽¹⁹⁾ has carried out research into this matter and has classified these responses to social issues into three broad categories, which are:

1. The social indicator approach

This approach revolves around the idea that an overall quality-of-life index may be quantified by social scientists. This index would be used to monitor the ups and down in the social health of the nation. Regarding this approach, he suggests that the lack of adequate social statistics and the questionable reliability of social indicators based on poor data collection mitigates against the use of this method.

2. The constituent impact approach is an attempt to set out in traditional balance sheet format all the many interrelationships between the company and its various constituencies - employees, customers, suppliers, the immediate community and society at large.
3. The corporate rating approach is an attempt, largely by outside groups and individuals to determine how companies are responding to social and environmental demands. The move toward corporate ratings has been largely instigated by universities, foundations and church groups that wish to retain portfolios of shares of "socially responsible companies."

Sethi⁽²⁰⁾ on the other hand, divides the current approaches to the corporate social audit into two areas of investigation. These are:

1. The reaction to perceived reality approach which is externally based, suggests that social responsibility is whatever public expectations are, and a firm would do well to satisfy these expectations, if possible, to their maximum extent. In applying this approach the company argues that there are no firm criteria by which to judge its social activities and "thus, it is not the 'real' social needs, however well defined that are important it is the perceived needs⁽²¹⁾", as expressed by the community's expectations. These expectations may be ascertained through opinion polls, ad hoc surveys or environmental analysis type models.

Another externally based method is to rank the company in the industry in which it operates on its stance on given social issues. This method will develop a standard of the public's viewpoint of the firm in the form of a ranking system.

The perceived reality approach has the advantage of keeping the company's goal strategies in line with public expectations, and enables all shifts in these expectations to be incorporated in the firm's long range objectives.

The disadvantage of this approach is that it does not allow the firm to utilise its own strengths in solving social issues, but is imposed to follow the trends of society.

2. The internally based approach termed by Sethi⁽²²⁾ as the maximum capability utilisation and best effort approach, allows management the maximum discretion in selecting the projects that will make use of the company's resources and capabilities in attempting to solve social issues at the lowest possible cost.

This approach deliberately plans for the long-term and is relatively independent of popular fads. It has two basic forms:

- a) A public reporting device which lists the various social activities in which the firm is involved. These reports are slightly similar to financial reports but if introduced will initially have a low creditability due to the lack of generally accepted social accounting policies.

- b) The internally generated audit is intended for management decision-making use only. This is a type of inventory of the firm's activities and possible strengths and weaknesses of the firm's social performance.

Finally, Abt⁽²³⁾ proposes to classify the efforts of businesses in complying with the demands of socially responsible behaviour by using the criteria of the level of effort companies show in their attempts to measure social issues. He suggests the use of five levels of precision of measurement that a company can employ in evaluating their social programmes. These levels are illustrated in Figure 8.2. below:

FIGURE 8.2

LEVELS OF PRECISION IN SOCIAL MEASUREMENT

<u>Type</u>	<u>Advantages</u>	<u>Limitations</u>
<u>Level 1</u> Qualitative Checklists Lists of socially significant actions	Simplicity; focuses attention	<ul style="list-style-type: none"> ✕ Misleading ✕ Compares items of very different magnitudes ✕ No results ✕ No targets
<u>Level 2</u> Listing Inputs Only Costs of social programmes	Supplies budget data for significant actions	<ul style="list-style-type: none"> ✕ Analyses inputs only, not outputs or impacts ✕ Contains no efficiency measure, thus no basis for optimisation
<u>Level 3</u> Assigning Performance Goals Measurement of project performance	Estimates degree of goal achievements	<ul style="list-style-type: none"> ✕ Incommensurable project measurements. ✕ Incomplete coverage
<u>Level 4</u> Benefit/Cost Estimates Benefit/cost ratios measured in money units	Provides quantitative ROI estimates to allow optimal choice	<ul style="list-style-type: none"> ✕ Not comprehensive ✕ Not integrated with financial accounts
<u>Level 5</u> Integrated Social/Financial Audits Social audit (impacts measured by standard procedures)	Integration with financial accounts	<ul style="list-style-type: none"> ✕ Requires data collections and analysis comparable to financial audit.

8.3. Problems Involved with Performing a Social Audit

Companies undertaking a social audit for the first time face several distinct difficulties. Five significant problems have been identified by Bauer and Fenn⁽²⁴⁾, and these are presented below:

1. How do we decide what to audit?

In summarising this argument the decision as to what to audit can be determined in two ways:

- (a) the top corporate executives take into consideration their interests and perceptions of the social issues, or
- (b) research is conducted into the opinions of the firm's constituent groups.

2. What are the measures?

Once the areas to be audited are defined the company must decide what measures will be applied to ascertain the company's social activity performance in these areas.

One logical method is to measure by cost - what is to be spent in each defined area? However, costs per se may not be an adequate measure since a company is also interested in knowing the success of their social performances. Here the difficulty is in how to measure the effects of such social action.

Furthermore, social activities are very expensive to evaluate and a serious

doubt can be expressed whether a company will accept such an additional expense.

Finally, the answer obtained may well be without any value as the following example of Bauer and Fenn illustrates⁽²⁵⁾

"If a company ascertains the number of high school students who use the computer it has donated, what has it really learned? Probably, not very much".

3. What constitutes success?

As mentioned above there are no established norms against which a company can define its social performance success. There are not applied minimum or maximum standards. Each company must set its own objectives for which it wishes to strive.

Success may be gauged by the degree to which social programmes achieve their respective social objectives. But the question remains - how good is good? Is the company successful in its social programmes or were levels of objectives set too low?

4. Where is the data?

Collection of data in a large multi-divisional company is both expensive and time consuming. There may also be internal resistance from members of the organisation who may feel threatened by the social audit or who may disagree with the whole philosophy behind the audit.

This point is elaborated on by Frederick and Myers⁽²⁶⁾ who contend that conducting a social audit inevitably involves politics and may lead to such a high degree of resentment as to make the completion of the social audit impossible.

5. How accurate can we be?

The ideal would be to present the findings of the social audit in a similar fashion to the firm's financial statements in both clarity of definition and universality of methodology. However, this may, for reasons already mentioned above, never materialise.

8.4. A Suggested Framework for the Social Audit

The writer contends that the development and implementation of a social audit in a large, complex company can take place only through the application of a systems mode of thinking.

The framework of systems analysis can be applied in social auditing and it would take the following pattern:

The first step would be a careful and close assessment of the social environment in which the firm operates. This would result in identifying and defining the possible influences of social trends and their probable interrelationships, as well as their impact on the company.

The environmental trends as represented by specific groups would be fully identified. This will offer the company a measure of how these various publics visualise the company's social activities.

Such an assessment would be carried out by the various techniques available at present for environmental scanning - for example, cross impact analysis, trend impact analyses and scenarios.

The above approach would provide the responsible corporate executive with the information on constraints, threats and opportunities which his company will face. This analysis would allow the firm to formulate its initial broad statement of its social programmes. This statement will then become the basis for formulating a company's social goals and objectives.

These social objectives will then be refined or even redefined during the second stage of the analysis, called the translation stage. The result of this stage would be to restate these social goals and objectives in terms that are suitably operational.

The company must decide whether it wants objectives to cover the total impact of its operations in society - a fundamentally mammoth task - or to formulate a more specific, carefully chosen and limited approach. This latter approach is favoured by Bauer and Fenn⁽²⁷⁾.

To achieve the formulated objectives various alternatives will naturally be available to the company. These alternate approaches to obtaining social goals and objectives must be evaluated against specific criteria such as the amount of resources available for such activities, the degree of urgency for introducing specific social programmes and the sequence of priorities as required. This stage would be termed as the trade-off analysis.

The scrutiny of the available alternatives by means of the suggested criteria

would lead to the formulation of the final social programmes the company intends to implement. This stage, using systems terminology, would be called the synthesis stage.

The final step in the auditing procedure would be to monitor to what extent the firm meets the objectives of its social programmes.

Typical examples of the type of questions that should be asked during this stage are:

- How effectively are the formulated objectives being met by the present social programmes?
- Does each division in the company pursue its own social objectives and projects?
- Are the social responsibility programmes being co-ordinated throughout the company in a meaningful manner?
- What are the costs involved in operating these programmes?
- Who benefits from these programmes?
- Are the company's present social activities biased in favour of one specific group?
- How large is the company's social budget and is it being used effectively and efficiently?
- How do the present social activities affect the image of the company as a responsible corporate citizen?

The answers to these questions will obviously depend to a large extent on the data available to the company's management. In certain circumstances it may not be feasible in terms of both time or money to obtain highly accurate

cost/benefit figures and therefore, the limits of desired accuracy must be set by the top management. Other social responsibility programmes will also have very little concrete statistics related to their performance and in these cases the social auditor must bear in mind the history and origins of the company's programmes. A similar approach in such situations is called by Bauer and Fenn a "process audit"⁽²⁸⁾.

As a great majority of companies' social action programmes involve charitable donations the measurement of the effectiveness of these donations is therefore very important. The simple monetary value of the donation does not in itself help analyse the strategic impact of the gift. A checklist should thus be used in this process giving the required information, and such criteria as the relevance of the donation, the number of people affected, the tax implications, the objectives of the donation and its role in the total social responsibility strategy of the firm should be assessed.

An example of a comprehensive donations evaluation checklist is presented in Appendix 8-A⁽²⁹⁾.

The monitoring stage would then suggest either improvements, stoppages or initiating new social programmes.

To recapitulate, the company's social audit system should analyse the company's social environment, establish the company's social mission and scope, set goals and objectives and formulate and monitor its social responsibility programmes. At all times the firm's social activities should be goal orientated.

The collation of all the individual reports drawn from the social audit into a social audit report is a highly flexible matter. One of the major factors influencing the format of the report is the final audience at whom the report will be aimed. Examples of such reports may be the Social Report of Shell South Africa (May 1982)⁽³⁰⁾, or the Social Report of the Life and Health Insurance Business published by the Center for Corporate Public Involvement in the United States of America⁽³¹⁾.

APPENDIX 8 – A
ABT'S CORPORATE CONTRIBUTION PROJECT
GRANT EVALUATION FORM

CORPORATE CONTRIBUTION PROJECT GRANT EVALUATION FORM

Indicate Data Source(s): R = Record Review; O = Observation; I = Interview

Write in NA if a particular question is not applicable

Project/Grantee Name: _____ Location: _____

Term of Funding, from _____ to _____ Date of Evaluation(s): _____

Evaluator(s): _____ Reviewed by: _____

Overall Evaluation: _____

(Average of 2.7, 3.11, 4.6, 5.3, 5.17, 5.21, 5.22, 5.23)

Recommended Action: _____

1. PROJECT OBJECTIVES

(Please quote if possible from project application or plan) (R,I)

1.1. What is to be accomplished? (R,I) (in measurable, quantitative terms if possible)

Major: _____

Secondary: _____

Minor: _____

1.2. Where? (R,I) _____

1.3. Over what time period? (R,I) _____

1.4. By whom? (R,I) _____

1.5. For/with whom? (Target population) (R,I) _____

1.6. How is it to be accomplished? (R,I) _____

1.7. Within what cost and other constraints? (R,I) _____

2. RESOURCE INPUTS

2.1. \$ Funding: (R) Initial \$ _____ This past year: \$ _____

Annual \$ _____ Total to date: \$ _____

Final Total Expected \$ _____

2.2. Staffing	Name	Salary	Qualifications
---------------	------	--------	----------------

Leadership:

Senior Staff:

Other Staff:

2.3. Major changes/turnover in staff: _____

2.4. Facilities & Equipment (if any are to be contributed): (R) _____

2.5. Information Resources (Special access, unusual skills etc.) (R,I) _____

2.6. Time available: (R) _____

2.7. Unique company capabilities for execution: (R,I) _____

3. PROCESS EVALUATION FINDINGS

(Essential at early stages when outputs and impacts are not yet present).

For each question, indicate 'yes' or 'no' and reasons why (or why not).

3.1. Have the needs of the target population been identified? (R,I) _____

What are they? (R,I) _____

3.2. Are the project objectives relevant to the needs? (R,O,I) _____

3.3. Are the project plans (tasks, staff assignments, budgets, schedules with milestones) relevant to the objectives? (R,O,I) _____

3.4. Are the activities and operations proceeding according to plan? (O,R) _____

3.5. Are the planned interim milestones being met? (O,R) _____

- 3.6. Are costs according to plan? (O,R) _____
- 3.7. Are the staff optimistic about the project achieving its objectives?(I) _____
Why or why not? (I) _____
- 3.8. Are a representative sample of the target population optimistic about the project achieving its objectives? (I) _____
- 3.9. Are representative members of the target population in favour of the project and its activities? (I) _____ If not, why not? _____
- 3.10. Do members of the target population approve of the project staffing? (I) _____
If not, why not? _____
- 3.11. How effective and efficient is the operations management? (O,R,I) _____

4. OUTPUT EVALUATION FINDINGS

- 4.1. Degree of accomplishment of objectives (%): (O,I)
Major: _____ % Reason _____
Secondary: _____ % Reason _____
Minor: _____ % Reason _____
- 4.2. Objectives achieved as a result of project activities: (O,I) _____
- 4.3. Additional achievements not planned? (O,I) _____
- 4.4. Negative side effects as a result of project activities? (O,I) _____
- 4.5. Net results of the project (positive achievements less negative side effects):
(O,I) _____

- 4.6. Overall effectiveness, in terms of results relevant to objectives: (O,I) _____

- 4.7. Comparison of project effectiveness with comparable other projects, if any: (R,O,I)
Superior? _____ About the same? _____
Inferior? _____

- 4.8. Overall efficiency, in terms of results per dollar costs: (R,O,I) _____
- 4.9. Comparative overall efficiency with respect to other similar projects? (R,O,I)
 Superior? _____ About the same? _____
 Inferior ? _____
- 4.10. Unique information obtained? (I) _____
- 4.11. Major project strengths: (O,I) _____
- 4.12. Major project weaknesses: (O,I) _____

- 4.13. Recommended improvements: (O,I) _____

-

5. IMPACT EVALUATION FINDINGS

- 5.1. Number of people affected by the project? (R,O,I) _____
- 5.2. % of lifetime the average affected person is affected by the project? (R,O,I)
 (Degree of effect) _____
- 5.3. Total people years affected (5.1 times 5.2): _____
- 5.4. New knowledge created: _____

	Estimated Equivalent Dollar Present Value
5.5. Social impact of new knowledge:	_____
5.6. Impact on public health:	_____
5.7. Impact on employment:	_____
5.8. Impact on income:	_____
5.9. Impact on education:	_____
5.10. Impact on housing	_____
5.11. Impact on transportation	_____
5.12. Impact on public safety:	_____
5.13. Impact on environment:	_____
5.14. Impact on quality of life:	_____
5.15. Total estimated equivalent dollar present value=	_____

5.16. Total project lifetime cost: _____

5.17. Benefit Cost Ratio: (5.15 + 5.16): _____

5.18. Overall Social Return on Investment $\frac{5.15 - 5.16}{5.16} (100)$: _____ %

5.19. Compared to similar projects (if any), is this project's ROI:

Superior? _____ About the same? _____

Inferior? _____

5.20. Is the project replicable? _____

5.21. Impact of company image? (I) _____

5.22. Impact on company staff involvement? (I) _____

5.23. Impact on generating new financial or other resources? _____

Additional comments: _____

Recommendations: _____

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27. Bauer and Fenn, op. cit., p. 44.
28. Ibid., p. 46.
29. Abt, op. cit., p. 64 - 67.
30. Shell South Africa Social Report, May 1982, "Inside Shell - Our Fifth Social Report", report written and produced by Shell South Africa's Personnel and Public Affairs Departments, Cape Town.
31. Tenth Annual Social Report of the Life and Health Insurance Business, 1982, "The Record of Corporate Public Involvement", Washington D.C.: Center for Corporate Public Involvement, Council of Life Insurance and Health Insurance Association of America, September, 1982.

PART II

CHAPTER NINE

9. Social Responsibility and Insurance

9.1. Introduction

According to Dr J G van der Horst, the function of life assurance societies or companies is twofold⁽¹⁾.

The first is the provision of financial protection against the vicissitudes of life. This is achieved through the marketing and supply of life assurance and related products and services.

The second function of life assurance is the provision of services leading to the creation of savings, which are utilised to provide funds to policyholders not only in the event of death or disablement, but also at some definite time in the future. This may take various forms such as saving through the membership of a pension fund, contributions to retirement annuity schemes, endowment policies and whole life assurances.

The South African Mutual Life Assurance Society (Old Mutual) was established in 1885 and incorporated in 1888 as a mutual life assurance office⁽²⁾.

The basic principles of the mutuality concept are the mutual sharing of risk and profit among members. The original agreement on the establishment of the Society aptly describes these mutuality benefits⁽³⁾.

"The advantages are manifest. There being no Proprietors all Profits are divided amongst the Assured and none but the Assured have a voice in the management".

As a mutual society, Old Mutual's broad aims were defined as follows:⁽⁴⁾

1. To make available on as wide a basis as feasible, the benefits of mutual life assurance.
2. To provide service of the highest quality to its members in terms of security, adequate market coverage, efficient administration and profitable return on invested policyholders' funds.

The life assurance industry plays a vitally important part in the South African economy as it 'mobilises savings' and contributes substantially to the formation of capital.

It is of paramount importance that Old Mutual maintains a balanced investment portfolio to enable it to change emphasis and direction from time to time in the interests of the country and policyholders.

The aims and operations of life assurance societies can also be described in terms of their operations as belonging to a specific industrial activity. Using this criterion Old Mutual can be said to operate within a service industry.

Its products are designed to assist in the provision of social security and welfare and its role is that of a provider of financial benefits. Yet by operating as a life assurance society, it is not performing any social responsibility activities as understood at present by social scientists. It is merely fulfilling a contractual agreement, and in doing so, providing a highly necessary and desirable service to a large number of people in the form of financial security or benefits.

However, the very long-term nature of the life assurance business dictates a concern for the social and economic problems that could and would affect the country and the industry in the future. The decision of an organisation to become actively involved in social affairs is to recognise the inherent nature of the dynamics of a changing society and community.

Old Mutual has displayed a growing awareness of its social responsibility as exemplified by statements of its top executives, by the formation of its corporate relations department, by its attitude to and treatment of its staff and the donations it makes to various educational, medical and charitable institutions.

Brigadier G C G Werdmuller, one of the past chairmen of Old Mutual, in his address to the 127th Annual General Meeting of the South African Mutual Life Assurance Society held on 13th December 1972, said the following dealing with social responsibility⁽⁵⁾:

"Your Board has always been aware of the fact that Old Mutual does even more than be financially successful, pay bonuses, provide employment and pay taxes. We accept that the Society's responsibility extends beyond the provision of basic financial security for its members and their families. Your Directors thus seek to identify the Society closely with the sectors of the communities in which it operates and to act in the interests of these communities as a whole, and thus, they believe in the interests of the members of the Old Mutual.

Consequently, enterprises of undisputed social benefit, such as the provision of housing, the development of education, and the supply of municipal amenities are placed high on the list of priorities for investments".

Ten years later the same concern is expressed by Mr F J Davin, the Managing Director of Old Mutual. He stated in his report to the staff in *Amicus Certus*⁽⁶⁾

of November 1982 that "Old Mutual is keeping in the vanguard of progress in the corporate social responsibility sphere".

This acceptance of the social responsibility concept by Old Mutual forms the basis of the research which was conducted in an attempt to ascertain the values and attitudes of Old Mutual's employees towards social responsibility.

References Chapter Nine

1. Address delivered by the Chairman of the Board, Dr J G van der Horst, at the 130th Annual General Meeting of the South African Mutual Life Assurance Society, held on 4th December 1975.
2. History of the South African Mutual Life Assurance Society, 1845 - 1945, compiled by R. van Selm, 1945.
3. Chairman's Address, op. cit.
4. Ibid.
5. Address delivered by the Chairman of the Board, Brigadier G.C.G. Werdmuller, C.B.E., E.D., J.P., at the 127th Annual General Meeting of the South African Mutual Life Assurance Society, held on 13th December, 1975, in section headed 'Social Responsibility'.
6. Amicus Certus, Old Mutual Staff Journal, November 1982, p.5.

CHAPTER TEN

10. Research Objectives

The objective of the research was to investigate the degree of awareness towards social responsibility; its impact on the formulation of corresponding corporate objectives and the acceptance of these objectives not only by top management but by the Society as a whole.

Naturally, the formation of societal objectives must be performed by top management and leads to what H. Igor Ansoff - one of the proponents of social responsibility - terms societal strategy⁽¹⁾.

However to be operational, the societal objectives must be congruent with the philosophy of the whole organisation or its way of life in order to avoid any possible resistance or sabotage which may result from any dissonance.

The research objectives were therefore formulated to determine the attitudes of Old Mutual's:

- ▣ managers
- ▣ sales managers
- ▣ department heads
- ▣ production managers
- ▣ broker managers
- ▣ consultants
- ▣ financial advisory service members (i.e. all personnel Grade 10 and above, status codes 01 - 07, and 46, 49, 50) and,
- ▣ full time sales representatives

to business ethics and social responsibility.

The following aspects were investigated:

- (1) The understanding of business ethics as interpreted by the respondents.
- (2) Whether Old Mutual possesses a document that could be defined as a code of ethics and the issues covered in such a code.
- (3) The relationship between ethics and social responsibility as understood by the respondents as well as the issues which are considered by them to be areas of social responsibility for an insurance company.
- (4) The level of agreement on the major arguments for and against a company's involvement in social issues.
- (5) Whether Old Mutual possesses a written document on its corporate social responsibility.
- (6) How Old Mutual should institutionalise the social responsibility concept.
- (7) How the respondents interpret Old Mutual's corporate image.

10.1. Research Methodology

To achieve the objectives, several constraints have to be recognised, such as the geographical dispersion of Old Mutual's operations and the financial and time resources available.

In view of these constraints, the data necessary to answer the above questions could only be collected through the use of a mail questionnaire.

To guarantee the freedom of expression of the respondents, they were not asked to sign their returned questionnaires and so their anonymity was preserved.

10.1.1. Piloting of Questionnaire

The questionnaire was pretested among twenty Head Office managers and employees and all ambiguities were eliminated from the questionnaire.

10.1.2. Precoding

To facilitate computer analysis, the questions were precoded.

Complete, comprehensive computer lists of all employees whose opinions were sought were available. This gave the study a supplementary advantage.

10.1.3. Procedure

The universe selected therefore consisted of a total of 2 677 employees of whom:

396 were from Head Office and

2281 were from the Branches.

The following mailing procedure was adopted.

Each respondent received:

STAGE 1 A warning notification of the forthcoming questionnaire.

STAGE 2 An envelope addressed to the individual containing:

- ✧ a questionnaire
- ✧ a covering letter, and
- ✧ a stamped return envelope

STAGE 3 Two weeks later, to remind the respondents to return the completed questionnaire, Stage 2 was repeated with the covering letter being replaced by a reminder letter.

Copies of these documents can be found in Appendices 10-A - 10-D.

Computer package used:

The following statistical computer packages were applied to the collected data⁽²⁾:

- BMDP Series (2D, 3D, 4D)
- CROSTAB 2

10.2. Personal Interviews

In order to reach an adequate conclusion about any possible disparity between the attitudes and feelings of Old Mutual managers and employees to social responsibility programmes and the actual activities of Old Mutual in this area, it was necessary to procure the information pertaining to these programmes.

Having discussed the matter with Old Mutual managers who guided me through this study, the best way to obtain the desired information was to interview those managers responsible for Old Mutual's present social activities.

Thus in total, fourteen senior members were interviewed. An unstructured interview format was used and all interviews (with the exception of one) were recorded on tape with the permission of the respondents. The respective findings are to be found in Chapter 13.

APPENDIX 10 – A

WARNING NOTIFICATION OF FORTHCOMING
QUESTIONNAIRE

--- ADVANCE NOTIFICATION ---

Will you please help us?

In a few days our questionnaire concerning social responsibility will cross your desk.

It will take but a few minutes of your time to answer the questions and you might find them interesting.

We would appreciate your co-operation.

Social Responsibility Survey
Department of Business Science
University of Cape Town

DISTRIBUTION:

H 1 2 3 4

B 1 2 3 4 6 (excluding Broker personnel and all
outside-Republic staff)

--- KENNISGEWING VOORAF ---

Sal u ons help, asseblief?

Oor 'n paar dae sal ons vrae lys i.s. sosiale verantwoordelikheid op u lessenaar wees.

Dit sal net 'n paar minute van u tyd verg om die vrae te beantwoord, en moontlik vind u dit interessant.

U samewerking sal op prys gestel word.

Onderzoek na Sosiale Verantwoordelikheid
Departement van Bedryfseksonomie
Universiteit van Kaapstad

APPENDIX 10 – B

COVERING LETTER FOR QUESTIONNAIRE



OLD MUTUAL

SOUTH AFRICAN MUTUAL LIFE ASSURANCE SOCIETY
Established 1845

Asst. General Manager's Office

Postal Address: BOX 66, CAPE TOWN 8000
Tel. Add. "Mutual", Telephone (021) 53-1231
Mutualpark, Pinelands, C.P. 7405

October 1981

SURVEY OF CORPORATE SOCIAL RESPONSIBILITY

The University of Cape Town is currently undertaking a study concerning corporate social responsibility and its influence in Old Mutual.

The Department of Business Science of the University of Cape Town would like to obtain comprehensive information and therefore asks that the enclosed questionnaire be completed by all selected respondents and returned to them in the stamped self-addressed envelope supplied.

All information will be studied in strictest confidence by the University and used only for statistical purposes. A summary of the results will, however, be made available to Management to assist in our planning process.

I would appeal to you to assist in this project by finding the time to complete the questionnaire and would like to thank you in advance for your co-operation.



GARTH GRIFFIN
ASSISTANT GENERAL MANAGER



OU MUTUAL

SUID-AFRIKAANSE ONDERLINGE LEWENSVERSEKERINGSGENOOTSKAP
Gestig 1845

Posadres: BUS 66, KAAPSTAD 8000
Tel. Adres "Mutual", Telefoon (021) 53-1231/53-7610
Mutualpark, Pinelands 7405

Asst.-hoofbestuurder se Kantoor

Oktober 1981

ONDERSOEK INSAKE SOSIALE VERANTWOORDELIKHEID VAN MAATSKAPPYE

Die Universiteit van Kaapstad onderneem tans 'n studie oor die sosiale verantwoordelikheid van maatskappye en die invloed daarvan by Ou Mutual.

Die Departement van Bedryfsekonomie by die Universiteit van Kaapstad wil graag volledige inligting inwin en vra dus dat die bygaande vraelys deur al die uitgesoekte respondente ingevul en in die geadresseerde kovert wat die vraelys vergesel, aan hulle terugbesorg word.

Al die inligting sal as streng vertroulik behandel en net vir statistiese doeleindes gebruik word. 'n Opsomming van die resultate sal egter aan bestuur beskikbaar gestel word om hulle met hul beplanning te help.

Ek wil u vra om asb. tyd in te ruim om die vraelys in te vul en sodoende tot die projek by te dra. Baie dankie by voorbaat vir u samewerking.



GARTH GRIFFIN
ASSISTENT - HOOFBESTUURDER

APPENDIX 10 – C

REMINDER LETTER FOR QUESTIONNAIRE

UNIVERSITY OF CAPE TOWN

(WITH WHICH IS INCORPORATED THE SOUTH AFRICAN COLLEGE)



DEPARTMENT OF BUSINESS SCIENCE,
Private Bag,
Rondebosch, 7700.

Telephone: 69-8531

Telefoon: 69-8531

October 1981

Oktober 1981

CORPORATE SOCIAL RESPONSIBILITY SURVEY

Recently we mailed you a questionnaire asking for your participation in an important survey.

The overwhelming majority have been kind enough to help us with this project by sending in their answers.

If you were one of them, this is our way of saying, "Thank You".

In case you have been away or too busy to complete the questionnaire before, may we ask you to do so now? This will enable us to achieve as near a "perfect survey response" as possible by getting a reply from everyone who received a questionnaire.

Your answers will be kept confidential and used only for statistical purposes.

A stamped, self-addressed envelope is enclosed for your convenience.

Thank you for your time and assistance.

UNIVERSITEIT VAN KAAPSTAD

(WAARBY INGELEEF IS DIE SUID-AFRIKAANSE KOLLEGE)



DEPARTEMENT VAN BEDRYFSEKONOMIE,
Privaatsak,
Rondebosch, 7700.

ONDERSOEK INSAKE MAATSKAPPYE SE SOSIALE VERANTWOORDELIKHEID

Ons het u onlangs 'n vraelys gepos en gevra dat u ons met 'n belangrike ondersoek help.

Die oorgrote meerderheid was vriendelik genoeg om ons met die projek te help en het ons hul antwoorde laat kry.

Indien u een van hulle was, sê ons vir u langs hierdie weg baie dankie.

As u miskien weg was of te besig was om die vraelys te beantwoord, wil ons u vra of u nie kans sien om dit nou te doen nie. Dit sal ons help om 'n reaksie te kry wat so na as moontlik aan perfek is as ons 'n vraelys ontvang het.

U antwoorde sal vertroulik behandel word en net vir statistiese doeleindes gebruik word.

'n Gefrankeerde, geadresseerde koevert word vir u gerief ingesluit.

Dankie vir u tyd en hulp.

APPENDIX 10 – D

QUESTIONNAIRE

CORPORATE SOCIAL RESPONSIBILITY SURVEY

1. Business Ethics

The following statements have been made connecting ethics and business. How do you feel about the statements below in relation to the Insurance Industry?

(Please *circle* the number which best corresponds to your feeling about each statement.)

Strongly Agree Moderately Agree Neutral Moderately Disagree Strongly Disagree

1. "Sound ethics is good business in the long run." 1 2 3 4 5
2. "Good business is good ethics" 2 1 2 3 4 5
3. "Let the policyholder beware of not reading the small print" 3 1 2 3 4 5
4. "It is legitimate to offer goods at the greatest profit. The moral consequences of such actions are NOT the businessman's concern" 4 1 2 3 4 5
5. "There is nothing morally wrong in taking company materials for personal use" 5 1 2 3 4 5

The above statements describe some unethical issues. However, to protect the company against such practices nearly every major company at present has some kind of code of ethics, either explicitly stated or implicitly given.

Does Old Mutual possess a similar document — Code of Ethics --

6 Yes No Have not seen one

What issues should be covered in such a code?

7

8

9

2. Ethics and Social Responsibility

Would you agree or disagree with the following statements?

- A. Business ethics deal with moral rights and wrongs in business. Very often social responsibility is interpreted as a moral issue as well.

10 Yes No

ONDERSOEK INSAKE SOSIALE VERANTWOORDELIKHEID VAN MAATSKAPPYE

1. Sake-etiek

Die volgende stellings is gemaak oor etiese gedrag en besigheid. Hoe voel u daaromtrent m.b.t. die versekeringsbedryf?

(Maak asb. 'n *kringetjie* om die nommer wat u mening die beste weerspieël.)

Stem beslis saam Stem deels saam Neutraal Stem nie heeltemal saam Stem glad nie saam

1. Gesonde etiese gedrag is goeie besigheid op die lang duur. 1 2 3 4 5
2. Goeie besigheid is goeie etiese gedrag. 2 1 2 3 4 5
3. Moenie die polishouer op die klendruk attent maak nie. 3 1 2 3 4 5
4. Dit is geoorloof om goedere teen die grootste wins aan te bied. Die morele gevolge daarvan het niks met die sakeman te maak nie. 4 1 2 3 4 5
5. Daar is niks moreels mee verkeernd om jou aan maat-skappymateriaal te help nie. 5 1 2 3 4 5

Die bogenoemde stellings raak sekere onetiese kwessies. Om die maatskappy egter teen sulke praktyke te beskerm, beskik feitlik elke groot onderneming vandag oor 'n soort etiese kode, hetsy uitdruklik of by implikasie

Beslik Ou Mutual oor 'n soortgelyke dokument — etiese kode?

6 Ja Nee Het nie een gesien nie.

Wat behoort so 'n kode alles te dek?

7

8

9

2. Etiese gedrag en sosiale verantwoordelikheid

Sal u met die onderstaande stellings saamstem of nie?

- A. Sake-etiek handel oor morele regte en wanpraktyke in die sakewêreld. Sosiale verantwoordelikheid word baie dikwels ook as 'n morele kwessie vertolk.

10 Ja Nee

B. (1) Watter van die volgende beskou u as 'n versekeringsmaatskappy se sosiale verantwoordelijkheid?

Daar is 14 items. Kies **vyf** en nommer hulle volgens belangrikheid, d.w.s. "1" = belangrikste, ens.

11	— Behuisingsprobleme by alle sektore van die gemeenskap	
12	— Werkomstandighede	
13	— Opvoedkundige fasiliteite by alle sektore van die gemeenskap	
14	— Lugbesoedeling	
15	— Waterbesoedeling	
16	— Gelyke werkgeleenthede	
17	— Diskriminasie tussen geslagte	
18	— Rassediskriminasie	
19	— Godsdienstige diskriminasie	
20	— Lone binne die versekeringsbedryf	
21	— Veiligheid	
22	— Gesondheid	
23	— Eliese verkoop van versekering	
24	— Die minderbevoorregtes	

B. (2) Ons stel belang in u houding teens sosiale verantwoordelijkheid. Wat is u mening oor die stellings?

	Stem beslis saam	Stem deels saam	Neutraal	Stem heeltemal saam	Stem glad nie saam
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1. Aksieprogramme i.s. sosiale verantwoordelijkheid wat die bogenoemde onderwerpe dek (in B.(1)), skep 'n gunstige openbare beeld vir die maatskappy.
[25] 1 2 3 4 5
2. Dit is op die lang duur in 'n maatskappy se eie belang om registreer in 'n groter mate as wat die wet vereis by sosiale aangeleenthede betrokke te raak.
[26] 1 2 3 4 5
3. Programme i.s. sosiale verantwoordelijkheid sal NIE help om sakeondernemings as 'n lonende bedryf binne die Suid-Afrikaanse gemeenskap te behou nie.
[27] 1 2 3 4 5
4. Die gemeenskap verwag reeds van maatskappe om op 'n sosiaal verantwoordelike wyse op te tree.
[28] 1 2 3 4 5
5. Sakeondernemings het die nodige geld en bevoegdhede om aksieprogramme vir sosiale verantwoordelijkheid in die lewe te roep.
[29] 1 2 3 4 5

B. (1) Which of the following issues do you consider to be an insurance company's social responsibility?

There are 14 items listed. Please choose **five** and number them in order of importance i.e. '1' = most important etc.

11	— Housing problems among all sectors of the community	
12	— Work conditions	
13	— Educational facilities among all sectors of the community	
14	— Air pollution	
15	— Water pollution	
16	— Equal opportunity of employment	
17	— Sex discrimination	
18	— Race discrimination	
19	— Religious discrimination	
20	— Wages in the insurance industry	
21	— Safety	
22	— Health	
23	— Ethical selling of insurance	
24	— The underprivileged	

B. (2) We are interested in your attitude towards social responsibility. How do you feel about these statements?

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree
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1. Social responsibility action programmes covering the above issues (in B.(1)) create a favourable public image for the company.
[25] 1 2 3 4 5
2. It is in the long run self interest of a company to get directly involved in social issues to a greater extent than the law demands.
[26] 1 2 3 4 5
3. Social responsibility programmes will NOT help preserve business as a viable institution in the South African Society.
[27] 1 2 3 4 5
4. Society already expects companies to act in a socially responsible way.
[28] 1 2 3 4 5
5. Business has the necessary money and potential talent to engage in social responsibility action programmes.
[29] 1 2 3 4 5
6. Conducting socially responsible action programmes helps avoid more government regulation of business.
[30] 1 2 3 4 5
7. Society asks **only** that companies maximise their efficiency and profits.
[31] 1 2 3 4 5

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree
8. Company officials lack the skills, perceptions and patience to carry out social responsibility programmes.	<input type="checkbox"/> 32 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9. Getting involved in social responsibility programmes merely dilutes the primary strengths and purposes of business.	<input type="checkbox"/> 33 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
10. Spending money and time on social issues will drive up costs and hurt company profits.	<input type="checkbox"/> 34 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11. Large companies have more than enough power already without also allowing them to change society.	<input type="checkbox"/> 35 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
12. Companies should not act as politicians in attempting to shape or transform society.	<input type="checkbox"/> 36 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13. Since there is considerable disagreement among the public concerning corporate social responsibility, management will be criticised regardless of what is attempted in its social programmes.	<input type="checkbox"/> 37 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

As suggested in section one (on Codes of Ethics), should Old Mutual express its stance on **social responsibility** in a formulated way? (i.e. have a written document)

☐ 38 Yes ☐ No ☐

To the best of your knowledge, does the company possess such a document?

☐ 39 Yes ☐ No ☐ Have not seen one

If yes, are you in agreement with all issues covered in the respective policy statement?

☐ 40 Yes ☐ No ☐

Use the following statements to indicate your agreement or disagreement with the issues to be covered in such a document.

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree
1. Providing policyholders with competitive rates and maximal bonuses.	<input type="checkbox"/> 41 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
2. Giving donations to charitable organisations.	<input type="checkbox"/> 42 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
3. Offering financial assistance to its employees and their dependants to acquire additional housing and improved education.	<input type="checkbox"/> 43 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

	Stem beslis saam	Stem deels saam	Neutraal	Stem nie heeltemal saam	Stem glad nie saam
6. Die instelling van programme i.s. sosiale verantwoordelikhed help om groter regeringsbeheer van die sakektor te voorkom.	<input type="checkbox"/> 30 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7. Die gemeenskap via <i>net</i> dat maatskappye hul doeltreffendheid en winsle moet maksimeer.	<input type="checkbox"/> 31 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8. Maatskappyebeampies het nie die vaardigheid, waarnemingsvermoë en geduld om programme i.s. sosiale verantwoordelikhed uit te voer nie.	<input type="checkbox"/> 32 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9. Deur by programme i.s. sosiale verantwoordelikhed betrokke te raak, word sakeondernemings se sterk punte en vernaamste sakedoelwitte verwater.	<input type="checkbox"/> 33 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
10. Deur geld en tyd aan sosiale kwessies te bestee, word koste opgejaag en maatskappywinste nadeling beïnvloed.	<input type="checkbox"/> 34 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11. Groot maatskappye het reeds meer as genoeg mag sonder dat hul nog toegelaat moet word om die gemeenskap te hervorm.	<input type="checkbox"/> 35 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
12. Maatskappye moet nie soos politici optree in 'n poging om die gemeenskap te vorm of hervorm nie.	<input type="checkbox"/> 36 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13. Aangesien daar aansienlike meningsverskil onder die publiek is m.b.t. wat maatskappye i.v.m. sosiale verantwoordelikhed behoort te doen, sal bestuur gekritiseer word (ongeach wat hy in sy sosiale programme probeer doen).	<input type="checkbox"/> 37 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Moet Ou Mutual, soos voorgestel in afdeling 1 (oor eliese kodes), sy standpunt oor **sosiale verantwoordelikhed** formaliseer, d.w.s. 'n geskrewe dokument hê?

☐ 38 Ja ☐ Nee ☐

Het die genootskap, na die beste van u wete, so 'n dokument?

☐ 39 Ja ☐ Nee ☐ Het nog nie een gesien nie

Indien Ja, stem u saam met al die kwessies wat in die onderskeie beleidsverklarings gedek word?

☐ 40 Ja ☐ Nee ☐

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree
4. Sponsoring research into areas of social responsibility ⁴⁴	1	2	3	4	5
5. Contributing to community development (e.g. health and educational institutions, old age homes etc.) ⁴⁵	1	2	3	4	5
6. Channelling its efforts and financial resources to creating the image of a socially responsible Life Assurance Society (e.g. through TV advertisements) ⁴⁶	1	2	3	4	5

Please express your views on the following statements which have a bearing on the issues above.

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree
1. "You can't expect Old Mutual to implement social responsibility programmes if this will adversely affect returns to policyholders" ⁴⁷	1	2	3	4	5
2. "Selling insurance policies is itself a socially responsible activity. Therefore Old Mutual is sufficiently social responsibility orientated" ⁴⁸	1	2	3	4	5
3. "The best way to manage social responsibility projects in Old Mutual is to create a special 'Social Responsibility' Department, leaving the other officials to get on with company business" ⁴⁹	1	2	3	4	5

4. "The costs of social responsibility projects can be measured, but not their benefits" ⁵⁰	1	2	3	4	5
5. "Unless social responsibility becomes one of the organisation's objectives, Old Mutual managers will not pursue social objectives individually or voluntarily" ⁵¹	1	2	3	4	5

Gebruik asb. die volgende stellings om aan te dui in hoe'n mate u met die kwessies wat in so 'n dokument gedek word, saamstem of nie saamstem nie.

	Stem beslis saam	Stem deels saam	Neutraal	Stem nie heeltemal saam	Stem glad nie saam
1. Bied aan polishouers mededingende tariewe en maksimum bonusse. ⁴¹	1	2	3	4	5
2. Doen skenkings aan leldadigheidsorganisasies. ⁴²	1	2	3	4	5
3. Bied geldelike hulp aan sy werknemers en hul afhanklikes om bykomende behuising en beler onderwys te bekom. ⁴³	1	2	3	4	5
4. Borg navorsing oor sake wat met sosiale verantwoordelikhed ⁴⁴ verband hou.	1	2	3	4	5
5. Dra by tot gemeenskapsontwikkeling (bv. gesondheids- en opvoedkundige inrigtings, ouerhuise, ens.) ⁴⁵	1	2	3	4	5
6. Spits horn daarop toe en wend sy geldelike bronne aan om die beeld van 'n lewensversekeringsgenootskap te skep wat sosiaal verantwoordelik is (bv. deur TV-advertensies) ⁴⁶	1	2	3	4	5

Gee asseblief u mening oor die volgende stellings wat met bogenoemde sake verband hou.

	Stem beslis saam	Stem deels saam	Neutraal	Stem nie heeltemal saam	Stem glad nie saam
1. "n Mens kan nie verwag dat Ou Mutual programme i.s. sosiale verantwoordelikhed in werking moet stel as dit uitkerings aan polishouers nadelig raak nie" ⁴⁷	1	2	3	4	5
2. "Om versekeringspolisse te verkoop, is op sigself 'n sosiaal verantwoordelike bedrywighed. Ou Mutual is dus voldoende sosiaal verantwoordelik georiënteerd." ⁴⁸	1	2	3	4	5
3. "Die beste wyse waarop projekte i.s. sosiale verantwoordelikhed deur Ou Mutual gehanteer kan word, is om 'n spesiale departement in die lewe te roep wat na sosiale verantwoordelikhed kan omsien en dit aan die ander amptenare oor te laat om hulle by die genootskap se sake te bepaal" ⁴⁹	1	2	3	4	5

OLD MUTUAL'S CORPORATE IMAGE

How would you rate the following statements about Old Mutual's corporate image?

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree	
1. Old Mutual has a good reputation in the insurance industry for displaying high ethical standards.	<input type="checkbox"/> 52	1	2	3	4	5
2. Old Mutual is an equal opportunity employer.	<input type="checkbox"/> 53	1	2	3	4	5
3. Old Mutual has a reliable, efficient management team.	<input type="checkbox"/> 54	1	2	3	4	5
4. Despite its size Old Mutual cares about each policyholder.	<input type="checkbox"/> 55	1	2	3	4	5
5. Old Mutual is a dynamic progressive company.	<input type="checkbox"/> 56	1	2	3	4	5

Stem beslis saam	Stem deels saam	Neutraal	Stem nie heeltemal saam	Stem glad nie saam
------------------	-----------------	----------	-------------------------	--------------------

4. "Die koste verbonde aan projekte is 'n sosiale verantwoordelikeheid kan bepaal word, maar nie die voordele wat dit inhou nie."
5. "Tensy sosiale verantwoordelikeheid een van die organisasie se doelwitte word, sal Ou Mutual se bestuurders nie sosiale doelwitte op hul eie of vrywillig nastreef nie."

OU MUTUAL SE MAATSKAPPYBEELD

Hoe sal u die volgende stellings i.v.m. Ou Mutual se maatskappybeeld evalueer?

	Stem beslis saam	Stem deels saam	Neutraal	Stem nie heeltemal saam	Stem glad nie saam
1. Ou Mutual geniet binne die versekeringsbedryf die gunstige reputasie dat hy hoë etiese standaarde handhaaf.	<input type="checkbox"/> 52	1	2	3	5
2. Ou Mutual is 'n werkgever wat sy werknemers gelyke geleenthede bied.	<input type="checkbox"/> 53	1	2	3	5
3. Ou Mutual beskik oor 'n betroubare, doeltreffende bestuurspan.	<input type="checkbox"/> 54	1	2	3	5
4. Ten spyte van sy grootte dra Ou Mutual elke polishouer se belange op die hart.	<input type="checkbox"/> 55	1	2	3	5
5. Ou Mutual is 'n dinamiese, vooruitsirewende maatskappy.	<input type="checkbox"/> 56	1	2	3	5

PERSONAL DATA

THIS SECTION IS STRICTLY CONFIDENTIAL AND WILL ONLY BE USED FOR STATISTICAL PURPOSES.

Please tick the appropriate box.

SEX:	Male	<input type="checkbox"/> 57	(x)	AREA:	Johannesburg/Reel	<input type="checkbox"/> 60	(1)
	Female	<input type="checkbox"/>	(y)		Pretoria	<input type="checkbox"/>	(2)
					Rest of Transvaal	<input type="checkbox"/>	(3)
AGE:	Under 25	<input type="checkbox"/> 58	(1)		Durban/Pietermaritzburg	<input type="checkbox"/>	(4)
	25-30	<input type="checkbox"/>	(2)		Rest of Natal	<input type="checkbox"/>	(5)
	31-35	<input type="checkbox"/>	(3)		Cape Town	<input type="checkbox"/>	(6)
	36-40	<input type="checkbox"/>	(4)		P.E./East London	<input type="checkbox"/>	(7)
	41-50	<input type="checkbox"/>	(5)		Rest of Cape	<input type="checkbox"/>	(8)
	51-59	<input type="checkbox"/>	(6)		O.F.S.	<input type="checkbox"/>	(9)
	60 +	<input type="checkbox"/>	(7)			<input type="checkbox"/> 61	(x)
HOME LANGUAGE:	English	<input type="checkbox"/> 59	(1)		Head Office	<input type="checkbox"/>	(y)
	Afrikaans	<input type="checkbox"/>	(2)		Branch Office	<input type="checkbox"/>	
	Other	<input type="checkbox"/>	(3)				

MARITAL STATUS:	<input type="checkbox"/> 62	Single	<input type="checkbox"/> 63	Married	<input type="checkbox"/> 64	Widowed	<input type="checkbox"/> 65	Divorced	<input type="checkbox"/> 66
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
YEARS OF CONTINUOUS EMPLOYMENT WITH OLD MUTUAL	<input type="checkbox"/> 67	Less than 2	<input type="checkbox"/> 68	2-5	<input type="checkbox"/> 69	6-10	<input type="checkbox"/> 70	11-15	<input type="checkbox"/> 71
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

POSITION HELD IN COMPANY
☐ 72 (e.g. Department Head, Assistant Divisional Manager, etc.)

<input type="checkbox"/> 73	<input type="checkbox"/> 74	<input type="checkbox"/> 75	<input type="checkbox"/> 76
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PERSONOONLIKE DATA

HIERDIE AFDELING IS STRENG VERTROULIK EN SAL NET VIR STATISTIESE DOELEINDES GEBRUIK WORD.

Mak asb. 'n merkie in die toepaslike blokkie.

GESLAG:	Manlik	<input type="checkbox"/> 57	(x)	GEBIED:	Johannesburg/Rand	<input type="checkbox"/> 60	(1)
	Vroulik	<input type="checkbox"/>	(y)		Pretoria	<input type="checkbox"/>	(2)
					Res van Transvaal	<input type="checkbox"/>	(3)
OUDERDOM:	Onder 25	<input type="checkbox"/> 58	(1)		Durban/Pietermaritzburg	<input type="checkbox"/>	(4)
	25-30	<input type="checkbox"/>	(2)		Res van Natal	<input type="checkbox"/>	(5)
	31-35	<input type="checkbox"/>	(3)		Kaapstad	<input type="checkbox"/>	(6)
	36-40	<input type="checkbox"/>	(4)		P.E./Oos-Londen	<input type="checkbox"/>	(7)
	41-50	<input type="checkbox"/>	(5)		Res van Kaapland	<input type="checkbox"/>	(8)
	51-59	<input type="checkbox"/>	(6)		O.V.S.	<input type="checkbox"/>	(9)
	60 +	<input type="checkbox"/>	(7)			<input type="checkbox"/> 61	(x)
HUIS-TAAL:	Engels	<input type="checkbox"/> 59	(1)		Hoofkantoor	<input type="checkbox"/>	(y)
	Afrikaans	<input type="checkbox"/>	(2)		Takkantoor	<input type="checkbox"/>	
	Ander	<input type="checkbox"/>	(3)				

HUWELIKSTAAT:	<input type="checkbox"/> 62	Ongetroud	<input type="checkbox"/> 63	Getroud	<input type="checkbox"/> 64	Wewenaar/Weduwee	<input type="checkbox"/> 65	Geskei	<input type="checkbox"/> 66
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

TYDPERK VAN ONONDER-BROKE DIENS MET OU MUTUAL	<input type="checkbox"/> 67	Minder as 2 jaar	<input type="checkbox"/> 68	2-5	<input type="checkbox"/> 69	6-10	<input type="checkbox"/> 70	11-15	<input type="checkbox"/> 71
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

POSISIE WAT U IN DIE MAATSKAPPY BEKLEE
☐ 72 (bv. departementshoof, assistent-afdelingsbestuurder, ens.)

<input type="checkbox"/> 73	<input type="checkbox"/> 74	<input type="checkbox"/> 75	<input type="checkbox"/> 76
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References Chapter Ten

1. H. Igor Ansoff, "The State of Practice in Planning Systems", Sloan Management Review, Winter 1977, p.4.
2. BMDP Biomedical Computer Programmes, P Series 1977, University of California Press.
3. CROSTAB 2: Data Tabulation, Academic Computer Center, University of Wisconsin, Reference Manual for Univac 1100 Series Computers, March 1975.

CHAPTER ELEVEN

11.1. Research Findings

From the total of 2 677 questionnaires despatched, 1 302 or 48,64% were returned. Of these, 54 or 2,02% were excluded as they were incomplete.

The very high response rate, for a postal survey, is probably indicative of the respondents' interest in matters raised by the questionnaire.

Interpreted in terms of Head Office and Branch employees, the response rates were as follows:

	<u>Head Office</u>	<u>Branch</u>	<u>Combined Total</u>
Number of questionnaires despatched	396	2281	2677
Number of questionnaires completed	316	932	1248
Response rate	79,80%	40,86%	46,62%

The relatively high response rate may be attributed to a number of factors:

- A growing awareness of corporate social responsibility in the organisation and a desire to express an opinion on the subject.
- The authority of the covering letter signed by an Assistant General Manager situated at Head Office.
- The use of a pre-warning notification together with a double mailing system and reminder letter.

- The fact that the questionnaires were returned directly to the University of Cape Town and not an Old Mutual address thereby indicating the independent nature of the research.

It should be noted that 52,36% of the questionnaires were not returned with the Branch response rate being lower than the Head Office response rate. This pattern follows a historical trend at Old Mutual where non-response is considerably higher from Branch personnel. Thus, it may be concluded that the overall relatively high response rate may be taken as representative of the generally positive attitude of Old Mutual managers to the topic of social responsibility.

11.1. Demographic Features of the Respondents

The demographic features of the respondents in terms of their sex, age, home language, marital status, position in the organisation and geographic distribution are shown below in Tables 11.1 - 11.8.

TABLE 11.1
SEX OF RESPONDENTS

	<u>HEAD OFFICE</u>	<u>BRANCH</u>	<u>TOTAL</u>	
MALE	307 97,15	894 95,92	1201 96,23	Count PCOL
FEMALE	12 3,80	35 3,77	47 3,77	Count PCOL
TOTAL	319	929	1248	Count

There are only 29 women of grade 10 or higher at Head Office which represents less than 6,5% of the work force at these levels. The percentage in the Branches is similar, which would seem to indicate underutilization of women in the organisation.

TABLE 11.2

AGE OF RESPONDENTS

<u>YEARS</u>	<u>MALE</u>	<u>FEMALE</u>	<u>TOTAL</u>	
Under 25	19 1,58	3 6,38	22 1,7	Count PCOL
25 - 30	215 17,90	15 31,91	230 18,4	Count PCOL
31 - 35	226 18,82	7 14,89	233 18,7	Count PCOL
36 - 40	218 18,15	5 10,64	223 17,9	Count PCOL
41 - 50	314 26,14	9 19,15	323 25,9	Count PCOL
51 - 59	169 14,07	7 14,89	176 14,1	Count PCOL
60 +	40 3,33	1 2,13	41 3,33	Count PCOL
TOTAL	1201	47	1248	Count

The age breakdown reveals that over 53% of the respondents are over 40 years of age, and over 17% older than 51 years of age. Proportionately however, the female respondents are younger than their male colleagues especially in the under thirty year old category.

TABLE 11.3

CROSS TABULATION :
HOME LANGUAGE BY HEAD OFFICE AND BRANCH RESPONSE

	<u>HEAD OFFICE</u>	<u>BRANCH</u>	<u>TOTAL</u>	
ENGLISH	238	459	697	Count
	75,32	49,25	55,85	PCOL
AFRIKAANS	73	425	498	Count
	23,10	45,60	39,90	PCOL
OTHER	5	48	53	Count
(Xhosa, Zulu, Sotho)	1,58	5,15	4,25	PCOL
TOTAL	316	932	1248	Count

The table reveals that a larger percentage of respondents at Head Office use English as their home language than those in the Branches.

No specific statistics were provided for establishing the Black respondents. However, the language categories (and the comments in the margins e.g. Xhosa, Sotho) can pass as a fairly broad indicator of the lack of Black personnel at Old Mutual in "senior positions". Table 13.2 in chapter 13, shows only 7 male Blacks of grade 10 and over at Head Office. This position should be monitored closely.

TABLE 11.4

MARITAL STATUS

	<u>Number</u>	<u>Percentage</u>
Single	110	8,8%
Married	1094	87,7%
Widowed	6	0,5%
Divorced	38	3,0%

TABLE 11.5

GEOGRAPHICAL DISTRIBUTION OF RESPONDENTS

<u>Area</u>	<u>Number</u>	<u>Percentage</u>
Johannesburg/Reef	196	15,7%
Pretoria	78	6,3%
Rest of Transvaal	130	10,4%
Durban/Pietermaritzburg	124	9,9%
Rest of Natal	47	3,8%
Cape Town	426	34,1%
Port Elizabeth/East London	52	4,2%
Rest of Cape	112	9,0%
Orange Free State	83	6,7%

11.2. Hierarchical Position of Respondents

Tables 11.6 and 11.7 offer insight into the years of employment of the respondents with Old Mutual and their hierarchical position in the organisation.

TABLE 11.6

THE POSITIONS OF THE RESPONDENTS IN OLD MUTUAL

<u>Position</u>	<u>Number</u>
General Manager	3
Assistant General Manager	9
Divisional Manager	28
Assistant Divisional Manager	166
Department Head	236
Miscellaneous	71
District Manager	117
Administration Head	19
Senior Consultant	72
Consultant	93
Financial/Pensions Adviser	26
Sales Representative	354
Production/Sales Manager	22
Broker Manager	2
Broker Consultant	25
Branch Manager	4
Regional Sales Manager	1
	<u>1248</u>

TABLE 11.7

YEARS OF CONTINUOUS EMPLOYMENT WITH OLD MUTUAL

<u>Years</u>	<u>Number</u>	<u>Percentage</u>
Less than 2	241	19,3%
2 - 5	298	23,9%
5 - 10	269	21,6%
11 - 15	132	10,6%
16 - 20	85	6,8%
20 +	223	17,9%

A cross tabulation of this data, Table 11.8 reveals that 57% of the Administration heads have served for 20 years or more and 51% of Department heads have 15 years or more service.

TABLE 11.8

CROSS TABULATION OF POSITION REACHED IN THE ORGANISATION
AND NUMBER OF YEARS EMPLOYED

<u>Years Employed</u>	<u>General Manager</u>	<u>A.G.M.</u>	<u>Dept. Head</u>	<u>Admin Head</u>	<u>Reps</u>	
<2	0	0	31	0	176	Count
	0	0	13,14	0	49,76	PCOL
2 - 5	0	0	38	0	118	Count
	0	0	16,10	0	33,33	PCOL
6 - 10	0	0	48	5	40	Count
	0	0	20,34	26,32	11,30	PCOL
11 - 15	0	3	35	2	10	Count
	0	33,33	14,83	10,32	2,82	PCOL
16 - 20	0	2	7	1	5	Count
	0	22,22	2,97	5,26	1,41	PCOL
20 +	3	4	77	11	5	Count
	100,00	44,44	32,63	57,89	1,41	PCOL
TOTAL	3	9	236	19	354	Count

It must be very difficult to motivate an employee who has had many years service and is still at these relatively low levels of management. This could represent a problem for senior management who may wish to introduce innovative social changes in the organisation, and be faced with certain forces resistant to change.

CHAPTER TWELVE

12. Interpretation of Responses to Individual Questions in the Questionnaire

The responses to all the questions in the questionnaire are presented at the end of this chapter in Appendix 12-A.

The questions and statements may be identified by the number under which they are referenced in the appendix.

12.1. Business Ethics

The first four statements were of a general introductory nature to ascertain the respondents' basic standpoints on business ethics.

Statement 1: "Sound ethics is good business in the long run".

Statement 2: "Good business is good ethics".

The majority of respondents clearly agree that sound ethics should constitute the basis for prosperous business in the long run. The response to these two statements form the basic premise about the respondents' view of ethics in business. It can thus be generalized that Old Mutual managers have a positive attitude towards ethical behaviour in business.

Statement 3: "Let the policyholder beware of not reading the small print".

This statement was intended to obtain the attitudes of the respondents to the

question of providing policy documents with supplementary or constraining information presented in "small print".

The majority of respondents disagree with this statement, which seems to indicate that they think their organisation is honest. From the pilot survey and interviews conducted the majority feeling was that, if a policy has "small print" attached to it, the seller must explain all the points to the buyer and not leave the client in the dark.

For those who agree with the statement, the policyholder must be aware of not reading the small print. This could suggest that the buyer is faced with a "caveat emptor" situation. A position in which he should not be placed.

Statement 4: "It is legitimate to offer goods at the greatest profit. The moral consequences of such actions are NOT the businessman's concern".

The high level of disagreement with this statement would seem to indicate that respondents feel that businessmen should be morally concerned about their actions when striving for the highest possible profit levels. Business operations should not only be judged on their economic merit, but also from a moral point of view. For a large insurance society this may have various implications for its operating policies. Projects could be pursued that have dual objectives - provide a satisfactory return as well as helping to solve social issues. For example contributing to low cost housing projects.

The response to the above four questions establishes the respondents' general positive viewpoint on business ethics. The majority agree that business should be conducted on a sound ethical basis.

In many instances ethical matters concerning a business organisation are contained in a code of ethics, which may be disseminated to employees during their induction programme.

The statement below, from the questionnaire, attempted to clarify whether the respondents were aware of any ethical code that Old Mutual may possess, as well as which issues should be covered in such a document.

Statement 6: The above statements describe some unethical issues. However, to protect the company against such practices nearly every major company at present has some kind of code of ethics, either explicitly stated or implicitly given.

Does Old Mutual possess a similar document – Code of Ethics –

Yes

No

Have not seen one

What issues should be covered in such a code?

The answers to the questions demonstrated a great deal of confusion amongst the respondents to the meaning and scope of a code of ethics, or whether in fact Old Mutual actually has a code.

759 or 60,8% of respondents replied that they had not seen a code, while 439 or 35,2% stated that Old Mutual has a code, and 50 or 4% of the respondents answered 'no'.

Furthermore comments in the margin of the questionnaire queried whether Old

Mutual's "General Operating Policies" or the Chairman's "Philosophy of Management" qualify as codes.

Old Mutual in fact does not have a defined code of ethics.

This confused situation surely requires corrective action. It is the responsibility of Old Mutual's top management to clarify the organisation's stance on a code of ethics, and to declare what they understand by such a code.

As to the issues which should be covered in such a document, Table 12.1 below illustrates the respondents' suggestions. The issues are ranked in order of the number of times each suggestion was mentioned and the top twenty preferences are shown.

TABLE 12.1
ITEMS TO BE COVERED IN A CODE OF ETHICS

	<u>Number of Times Mentioned</u>
1. Truth/Integrity/Sincerity/Honesty	216
2. Relationship to policyholders or clients	199
3. Relationship among/towards employees and colleagues	123
4. Relationship to the community	104
5. Policyholders interests and rights come first	100
6. Service/after sales service	95
7. Ethical conduct/action needed in business	93
8. Ethical selling	84
9. Relationship to employer or company	83
10. Aims/policies of Old Mutual	65
11. Switching/Misrepresentation	48
12. Equal opportunity/Race relations	44
13. Loyalty	39
14. Relationship to insurance industry and other companies	38
15. Old Mutual's image	27
16. Secrecy/client confidentiality	24
17. Professionalism	23
18. Personnel policies and training	16
19. Profits and their distribution	16
20. Punishment (of offenders of the code)	13

A cross tabulation revealed interesting differences between Head Office and Branch personnel responses. The first seven choices of each group are illustrated in Table 12.2 below.

TABLE 12.2

COMPARISON OF SEVEN ITEMS TO BE COVERED IN A CODE
OF ETHICS RANKED BY HEAD OFFICE AND BRANCH RESPONSES

<u>Head Office</u>	<u>Branch</u>
1. Relationship to policyholder or client	1. Truth/Integrity/Sincerity/Honesty
2. Service/after sales service	2. Relationship to policyholder or client
3. Relationship among/towards colleagues	3. Relationship among/towards colleagues
4. Aims/policies of Old Mutual	4. Ethical conduct, actions needed in business
5. Truth/Integrity/Sincerity/Honesty	5. Relationship to the community
6. Ethical selling	6. Service/after sales service
7. Relationship to the community	7. Relationship to employer or company

The Branch respondents place a higher priority on mentioning the factors of truth, integrity and honesty in a code of ethics than the Head Office staff. However, the response to statement five below illustrates the respondents concern for conducting an honest business.

Statement 5: "There is nothing morally wrong in taking company materials for personal use".

The large majority strongly disagree with this declaration. It is difficult to place a clear interpretation on this response since the use of company material for personal gain is a contentious moral issue. The difficulty lies in where to draw the line. For illustrative purposes: Is taking a single envelope theft, or merely an

unspoken "right"? How many envelopes can be taken before a "theft" is committed? It is difficult to assign a monetary value in such circumstances.

Table 12.2 also shows that relations with policyholders and clients and amongst colleagues is of importance to both groups. Head Office staff consider the need for Old Mutual to state its aims and policies as their fourth priority, while analysis revealed that the Branch respondents had this option only as their eleventh choice. This bias may be attributed to the fact that policy decisions tend to flow from Head Office and thus the Head Office respondents are more concerned with such issues.

It is noteworthy that Head Office respondents rate relations with policyholders, and sales and after sales service higher than their Branch co-respondents, but this is not readily explicable.

A disturbing feature of the findings was the wide variety of items deemed to be important enough to be covered in a code of ethics. Moreover, various statements made by respondents clearly illustrate their lack of understanding of the function and content of a code of ethics.

One example of such a comment is that "no safari suits should be worn while interviewing clients," while a General Manager was under the impression that issues to be covered in such a written code are "obvious".

The conclusions that may be drawn from the above are:

1. There is a need to clarify the fact that Old Mutual does not have a code of ethics.
2. There are disagreements and differences in interpretation between Head

Office and Branch personnel about the content and form of a code of ethics. Thus the introduction of a code in the organisation would need to be accompanied by an educational programme explaining the scope and nature of the code.

12.2. Ethics and Social Responsibility

This section of the questionnaire dealt with the attitude of the respondents to general statements about social responsibility and business ethics.

The respondents were asked:

Statement 7: Would you agree or disagree with the following statements?

Business ethics deal with moral rights and wrongs in business.
Very often social responsibility is interpreted as a moral issue as well.

Yes	No
-----	----

A large majority 1154 or 92,5% of the respondents agreed that social responsibility can be interpreted as a moral obligation, while only 94 or 7,5% disagreed.

In chapter six a distinction was made between the concepts of morality and business ethics. However, to the average businessman this difference would appear as a matter of semantics, and thus the positive response linking moral issues to social responsibility is understandable.

An induction programme for Old Mutual employees could include information clarifying the differences between the two concepts.

The respondents were then asked to rank the major areas of social responsibility facing an insurance company. Table 12.3 reflects their order of preferences.

TABLE 12.3
AN INSURANCE COMPANY'S MAJOR AREAS OF
SOCIAL RESPONSIBILITY

	<u>Order of</u> <u>Importance</u>
Ethical selling of insurance	1
Educational facilities among all sectors of the community	2
Work conditions	3
Equal opportunities of employment	4
Housing problems among all sectors of the community	5
Wages in the insurance industry	6
Health	7
Safety	8
The underprivileged	9
Race discrimination	10
Water pollution	11
Sex discrimination	12
Religious discrimination	13
Air pollution	14

A further analysis of the above table by Head Office and Branch revealed a difference in ranking.

The five areas judged by these two categories of respondents to be the most critical are shown in Table 12.4.

TABLE 12.4

COMPARISON OF FIVE MAJOR AREAS OF SOCIAL RESPONSIBILITY
RANKED BY HEAD OFFICE AND BRANCH RESPONSES

<u>Head Office</u>	<u>Branch</u>
1. Ethical selling of insurance	1. Ethical selling of insurance
2. Equal opportunity of employment	2. Educational facilities among all sectors of the community
3. Educational facilities among all sectors of the community	3. Work conditions
4. Housing problems among all sectors of the community	4. Housing problems among all sectors of the community
5. Work conditions	5. Equal opportunity of employment

It is important to note that both categories of respondents considered the ethical selling of insurance as an insurance company's prime area of social responsibility. The concern for the provision of educational facilities has always been a top social priority of the insurance industry and this is consistent with the above findings.

The question of equal opportunity of employment is rated second by Head Office respondents compared to the Branch rating of fifth. This may be attributed to the greater awareness of racial and status problems at Head Office.

The greater concern of the Branch respondents than the Head Office staff about work conditions may be explained by the fact that the Head Office buildings have undergone extensive refurbishing. This has not been the case at Branch offices.

Issues that are of vital importance to other industries, such as water and air pollution, are not rated highly by the respondents as they are not of direct concern.

The question of sex discrimination, a widely publicised issue in the U S A, received a surprisingly low rating. No significant difference emerged between the response of male and female respondents to this issue.

Having established what the respondents considered to be the important social areas of concern for an insurance company, further statements relating to the concept of social responsibility were presented, in order to assess their reaction to the premise that business should be actively involved in social responsibility programmes.

Thus,

Statement 22: Social responsibility action programmes covering [the issues mentioned in Table 12.3] create a favourable public image for the company.

A good image is an important marketing factor for the sale of a company's products - especially those of an insurance company or mutual society. The respondents strongly support the proposition that following social responsibility projects help create a favourable public image. The benefits that can flow from a good image are multiple, but this image must be projected to the public. This calls for a concerted advertising campaign to stress the social aspects of Old Mutual's operations - highlighting the interrelationships between society at large and Old Mutual's effort in the social responsibility field.

It is here that the idea of a systems concept comes into play. How one aspect

of the business organisation's operation - it's social programme - are related to the broader environment, and all form part of the business system. There is an interplay between society and the business. The general idea of a good corporate image is tied into this concept.

Statement 25: Society already expects companies to act in a socially responsible way.

Statement 23: It is in the long run self interest of a company to get directly involved in social issues to a greater extent than the law demands.

The respondents clearly feel that it is in the long term self interest of a company to get involved in social issues to a greater extent than the law provides. The law may be considered to set a recognisable standard of public behaviour but it is not a comprehensive standard. For example, philanthropic gestures are never dictated by law; the amount of money donated to a worthy charity is never specified.

There is a clear indication among the respondents that companies have very little option but must become socially aware of the possible impact and influences of their operations.

Statement 26: Business has the necessary money and potential talent to engage in social responsibility action programme.

Statement 29: Company officials lack the skills, perceptions and patience to carry out social responsibility programmes.

The majority of respondents believe business can attempt to solve social

problems because it has the potential manpower and financial resources for the task. It must be realised that when interpreting these positive responses, the decisions to engage in social responsibility activities must be based on social valuations for which not all companies have the talents. Companies must be very careful in selecting social activities in which they have specific competencies or can acquire them to gain the maximum benefits for society and themselves.

Statement 27: Conducting socially responsible action programmes helps avoid more government regulation of business.

The majority of respondents favour the argument that conducting socially responsible programmes will pre-empt more government regulation of business operations. However, the reply to this statement is also striking in one sense. It shows the highest number of people in the questionnaire who wish to remain uncommitted - 291 or 23,3%.

Statement 28: Society asks only that companies maximise their efficiency and profits.

The majority of respondents felt that society expects business to operate beyond the narrow ideal of pure profit maximisation. The modern business organisation's planning process should incorporate multiple goals and objectives - of which, social responsibility activities should feature.

Statement 30: Getting involved in social responsibility programmes merely dilutes the primary strengths and purposes of business.

Statement 31: Spending money and time on social issues will drive up costs and hurt company profits.

The responses to these two statements reaffirms the majority of respondents' conviction that company profits will not be adversely affected if the organisation pursues social responsibility programmes. This attitude re-iterates the earlier findings that social responsibility activities should constitute normal business procedures.

Statement 32: Large companies have more than enough power already without also allowing them to change society.

The majority of respondents disagree with this statement. Large companies may be financially powerful but this does not preclude them from attempting to solve the social needs of society. Responsibility should be commensurate with power.

Statement 33: Companies should not act as politicians in attempting to shape or transform society.

The majority of respondents agreed that companies should not attempt to shape or transform society as politicians attempt to do. From comments written in the margin of the questionnaire it is also apparent that the respondents do not display a uniform regard for the efforts of politicians who try to solve society's problems.

Statement 34: Since there is considerable disagreement among the public concerning corporate social responsibility, management will be criticised regardless of what is attempted in its social programmes.

The respondents agree that the exact concept of social responsibility is vague

and there is a lack of concrete criteria to evaluate the social performance of a business organization. The problem of establishing standardised social measures is a troublesome aspect of the social responsibility concept.

No ideal set of standards have been developed and each company must create their own benchmarks.

From the above statements it can be concluded that the respondents are aware of, and in favour of the concept of social responsibility. It was further necessary to establish whether the respondents actually knew of any document stating Old Mutual's stance on social responsibility.

The following questions were asked:

Statement 35: As suggested in the section on Codes of Ethics, should Old Mutual express its stance on social responsibility in a formulated way? (i.e. have a written document).

Yes	No
-----	----

To the best of your knowledge, does the company possess such a document?

Yes	No
-----	----

If yes, are you in agreement with all issues covered in the respective policy statement?

Yes	No
-----	----

889 or 71,3% of the respondents were in favour of Old Mutual having a written document explaining its position on social responsibility; while only 359 or 28,7%

were against the concept. This response is consistent with the respondents earlier expressed desire for a code of ethics. The respondents, however, also demonstrated a certain degree of confusion about whether Old Mutual actually possesses such a document.

971 or 72,8% of the respondents had not seen one, while
152 or 12,2% stated no, and
125 or 10,0% indicated yes.

Of the 125 who replied in the affirmative as to whether Old Mutual has a "social responsibility" document, 104 were in agreement with the issues covered in such a document and 22 against.

Comments written in the margins of the questionnaire queried whether Old Mutual's "General Operating Policies" could be considered as such a code.

No formalised document exists expressing Old Mutual's social responsibility stance, and the above pattern of replies indicates a large degree of confusion amongst the respondents.

These findings indicate that Old Mutual's top management should clarify their attitude towards social responsibility in a formalised unambiguous manner.

The questionnaire also attempted to discover the respondents' attitudes to issues that should be covered in such a documents.

All six statements listed in the questionnaire elicited a favourable response, and the order of the respondents choices are shown below:

1. Statement 38: Providing policyholders with competitive rates and maximal bonuses.
2. Statement 40: Offering financial assistance to its employees and their dependants to acquire additional housing and improved education.
3. Statement 42: Contributing to community development (e.g. health and educational institutions, old age homes etc).
4. Statement 43: Channelling its efforts and financial resources to creating the image of a socially responsible Life Assurance Society (e.g. through TV advertisements).
5. Statement 41: Sponsoring research into areas of social responsibility.
6. Statement 39: Giving donations to charitable organisations.

The respondents demonstrated a consistent tendency to emphasize their concern for the financial welfare of their policyholders as their prime social responsibility.

A further series of questions were asked concerning the broad process of implementing social responsibility programmes in Old Mutual.

Statement 44: "You can't expect Old Mutual to implement social responsibility programmes if this will adversely affect returns to policyholders".

The large majority of respondents agreed with this statement. This reaction is a "common sense" approach to social responsibility programmes. A business organization should not undertake any project or mission which is demonstrably harmful to its financial well being. Old Mutual must continuously be aware of the cost/benefit aspects of its social responsibility activities.

Statement 45: "Selling insurance policies is itself a socially responsible activity. Therefore Old Mutual is sufficiently social responsibility orientated".

As the response was not totally conclusive in any one direction to this statement a cross tabulation by Head Office and Branch was undertaken. This is shown in Table 12.5 below.

TABLE 12.5

CROSS TABULATION: HEAD OFFICE BY BRANCH OFFICE TO THE
STATEMENT "SELLING INSURANCE POLICIES IS ITSELF A SOCIALLY
RESPONSIBLE ACTIVITY. THEREFORE OLD MUTUAL IS SUFFICIENTLY
SOCIAL RESPONSIBILITY ORIENTATED"

	<u>Head Office</u>	<u>Branch Office</u>	<u>Total</u>	
Strongly Agree	20 6,33	202 21,67	222 17,79	Count PCOL
Moderately Agree	64 20,25	275 29,51	339 27,16	Count PCOL
Neutral	38 12,03	53 5,69	91 7,29	Count PCOL
Moderately Disagree	124 39,24	269 28,86	393 31,49	Count PCOL
Strongly Disagree	70 22,15	133 14,27	203 16,27	Count PCOL
TOTAL	316	932	1248	Count

The percentage of column (PCOL) figures show that a substantially higher percentage of Branch office personnel agree with this statement than the Head Office staff. This may be attributed to the fact that the Branch personnel are more directly involved with the public - selling Old Mutual policies and hence witnessing the financial and security benefits generated by a life assurance society's products.

The respondents from the Branch view this as a social responsibility activity, while the attitude of the Head Office respondents may be interpreted as viewing the sale of policies as merely a service.

Statement 46: "The best way to manage social responsibility projects in Old Mutual is to create a special 'Social Responsibility' Department, leaving the other officials to get on with company business".

Statement 48: "Unless social responsibility becomes one of the organisation's objectives, Old Mutual managers will not pursue social objectives individually or voluntarily".

The response to these two statements indicates the respondents definite desire for the creation of a social responsibility department, while there was a mixed reaction to the individual manager accepting social responsibility projects as part of their job description. This present reluctance is understandable as social responsibility activities have not yet become an institutionalised part Old Mutual's total business environment and culture. Social programmes should not be seen as an additional management task but as a normal part of business procedures and practices.

Statement 47: "The costs of social responsibility projects can be measured, but not their benefits".

The respondents clearly agree with this statement and recognise that the benefits of social programmes may not always be quantifiable, and herein lies the crux of the problem of many social responsibility projects. In a business environment nearly all decisions that include a monetary investment are measured in terms of cost and benefits accrued. Without a directed plan or social audit no business organisation can correctly justify its expense on social issues.

12.3. Old Mutual's Corporate Image

The investigation into Old Mutual's corporate image revealed a very positive reaction.

The findings are shown below:

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
1. Old Mutual has a good reputation in the insurance industry for displaying high ethical standards	1015 81,3	204 16,3	20 16,6	7 0,6	2 0,2	Number Percentage
2. Old Mutual is an equal opportunity employer	801 64,2	290 23,2	79 6,3	59 4,7	19 1,5	Number Percentage
3. Old Mutual has a reliable, efficient management team	772 57,9	364 29,2	87 7,0	62 5,0	13 1,0	Number Percentage
4. Despite its size Old Mutual cares about each policyholder	725 58,1	349 28,0	92 7,4	71 5,7	11 0,9	Number Percentage
5. Old Mutual is a dynamic progressive company	745 59,7	330 26,4	71 5,7	89 7,1	13 1,0	Number Percentage

Old Mutual has a very favourable image amongst its staff.

From the above results it is apparent that the respondents consider Old Mutual to have a good reputation in the insurance industry for displaying high ethical standards.

As an equal opportunity employer the respondents are again favourable in their opinion. The strongly disagree column however received the highest number of 'disagree' votes.

Old Mutual is also perceived to be a dynamic progressive society. This could be taken to imply that the respondents would expect Old Mutual to take a pro-active stance towards social responsibility concepts through its efficient management team.

The respondents also conclusively felt that despite its size Old Mutual shows a personalised care for each policyholder.

Because differences were found in earlier interpretations of answers between Head Office and Branch respondents, a Likert summated scale⁽¹⁾ was used to find if any similar variation existed in statements on Old Mutual's corporate image.

If the Likert Scale score is low, say 5, Old Mutual's image is good. If the rating is high, say 16, its image is bad.

The image by summated scale ratings is shown below in Table 12.6

TABLE 12.6
SUMMATED LIKERT SCALE RATING OF
OLD MUTUAL'S CORPORATE IMAGE

<u>SCALE</u>	<u>Number of Respondents</u>	<u>Percentage</u>
5	439	35,18
6	163	13,06
7	152	12,18
8	99	7,93
9	88	7,05
10	84	6,73
11	55	4,41
12	67	5,37
13	31	2,48
14	19	1,52
15	20	1,60
16	15	1,28
17 - 21 (Max. 25)	15	1,21

Again the Society came out favourably.

The cross tabulation of Head Office and Branch responses to Old Mutual's corporate image showed some interesting differences. This is shown in Table 12.7 below.

TABLE 12.7
CROSS TABULATION : OLD MUTUAL'S CORPORATE IMAGE
BY HEAD OFFICE AND BRANCH RESPONSE

<u>Likert Scale</u>	<u>Head Office</u>	<u>Branch Office</u>	<u>Total</u>	
Scale 5	66 20,89	373 40,02	439 35,18	Count PCOL
Scale 6	28 8,86	135 14,48	163 13,06	Count PCOL
Scale 7	40 12,66	112 12,02	152 12,18	Count PCOL
Scale 8	31 9,81	68 7,30	99 7,93	Count PCOL

The percentage of column figures (PCOL) show that for the first two levels of the Likert rating scale Head Office perception of the Society is significantly lower than that of the Branch.

The scope of this study did not permit for the investigation of the reasons for this variance.

To summarize, the analysis of the questionnaire has revealed the following noteworthy points:

1. A high response rate from Head Office of 79,8%.
2. A confusion among respondents concerning the documents which Old Mutual possesses relating to ethics and social responsibility.
3. A dichotomy between Head Office and Branch response patterns particularly with regard to the items to be mentioned in a code of ethics.
4. The fact that respondents rate the selling of insurance as an insurance company's major area of social responsibility.
5. That there were a very low number of female and Black respondents as a percentage of total respondents.
6. A positive attitude from respondents to the formation of a social responsibility department.
7. A belief among respondents that publicising Old Mutual's social activities would be favourable to the organisations image.

It may therefore be concluded from the above that Old Mutual should:

1. Clarify its stance on business ethics and social responsibility in a formalised manner.
2. Establish a social responsibility department to correlate social responsibility activities throughout the organisation.
3. Conduct induction and education programmes for all its staff on business ethics and social responsibility.
4. Use a regulated advertising campaign to publicise its social activities.

APPENDIX 12 - A

RESULTS OF POSTAL QUESTIONNAIRE

1. BUSINESS ETHICS

The following statements have been made connecting ethics and business.

How do you feel about the statements below in relation to the insurance industry?

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 1:						
"Sound ethics is good business in the long run"	1151 92,2	70 5,6	16 1,3	4 0,3	7 0,6	Number Percentage
Statement 2:						
"Good business is good ethics"	605 48,5	307 24,6	163 13,1	118 9,5	55 4,4	Number Percentage
Statement 3:						
"Let the policyholder beware of not reading the small print"	225 18,0	127 10,2	112 9,0	193 15,5	591 47,4	Number Percentage
Statement 4:						
"It is legitimate to offer goods at the greatest profit. The moral consequences of such actions are NOT the businessman's concern"	53 4,2	112 9,0	104 8,3	293 23,5	686 55,0	Number Percentage
Statement 5:						
"There is nothing morally wrong in taking company materials for personal use"	28 2,2	38 3,0	77 6,2	226 18,1	879 70,4	Number Percentage

The above statements describe some unethical issues. However, to protect the company against such practices nearly every major company at present has some kind of code of ethics, either explicitly stated or implicitly given.

Statement 6:

Does Old Mutual possess a similar document – Code of Ethics –

Yes	439	No	50	Have not seen one	759
	35,2%		4,0%		60,8%

What issues should be covered in such a code?

2. ETHICS AND SOCIAL RESPONSIBILITY

Statement 7:

Would you agree or disagree with the following statements?

- A. Business ethics deal with moral rights and wrongs in business. Very often social responsibility is interpreted as a moral issue as well.

Yes	1154	No	94
	92,5%		7,5%

- B. (1) Which of the following issues do you consider to be an insurance company's social responsibility?

Statement 8:	Priority Rating
Housing problems among all sectors of the community	5

Statement 9:	
Work conditions	3

Statement 10:	
Educational facilities among all sectors of the community	2

Statement 11:	
Air pollution	14

	<u>Priority Rating</u>
Statement 12:	
Water pollution	11
Statement 13:	
Equal opportunity of employment	4
Statement 14:	
Sex discrimination	12
Statement 15:	
Race discrimination	10
Statement 16:	
Religious discrimination	13
Statement 17:	
Wages in the insurance industry	6
Statement 18:	
Safety	8
Statement 19:	
Health	7
Statement 20:	
Ethical selling of insurance	1
Statement 21:	
The underprivileged	9

(2) We are interested in your attitude towards social responsibility. How do you feel about these statements?

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 22:						
"Social responsibility action programmes covering the above issues [in statements 8 – 21] create a favourable public image for the company"	733 58,7	415 33,3	65 5,2	31 2,5	4 0,3	Number Percentage
Statement 23:						
"It is in the long run self interest of a company to get directly involved in social issues to a greater extent than the law demands"	432 34,6	464 37,2	164 13,1	123 9,9	65 5,2	Number Percentage
Statement 24:						
"Social responsibility programmes will NOT help preserve business as a viable institution in the South African Society"	67 5,4	171 13,7	154 12,3	464 37,2	392 31,4	Number Percentage
Statement 25:						
"Society already expects companies to act in a socially responsible way"	453 36,3	630 50,5	99 7,9	61 4,9	5 0,4	Number Percentage
Statement 26:						
"Business has the necessary money and potential talent to engage in social responsibility action programmes"	387 31,0	539 43,2	164 13,1	134 10,7	24 1,9	Number Percentage
Statement 27:						
"Conducting socially responsible action programmes helps avoid more government regulation of business"	299 24,0	394 31,6	291 23,3	192 15,4	72 5,8	Number Percentage

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 28:						
"Society asks <u>only</u> that companies maximise their efficiency and profits"	114 9,1	206 16,5	160 12,8	418 33,5	350 28,0	Number Percentage
Statement 29:						
"Company officials lack the skills, perceptions and patience to carry out social responsibility programmes"	87 7,0	354 28,4	193 15,5	394 31,6	220 17,6	Number Percentage
Statement 30:						
"Getting involved in social responsibility programmes merely dilutes the primary strengths and purposes of business"	72 5,8	191 15,3	154 12,3	516 41,3	315 25,2	Number Percentage
Statement 31:						
"Spending money and time on social issues will drive up costs and hurt company profits"	90 7,2	305 24,4	126 10,2	510 40,9	216 17,3	Number Percentage
Statement 32:						
"Large companies have more than enough power already without also allowing them to change society"	69 5,5	148 11,9	191 15,3	475 38,1	365 29,2	Number Percentage
Statement 33:						
"Companies should not act as politicians in attempting to shape or transform society"	441 35,3	276 22,3	118 9,5	255 20,4	158 12,7	Number Percentage

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 34:						
"Since there is considerable disagreement among the public concerning corporate social responsibility, management will be criticised regardless of what is attempted in its social programmes"	208 16,7	497 39,8	157 12,6	294 23,6	92 7,4	Number Percentage

Statement 35:

As suggested in section one (on Codes of Ethics), should Old Mutual express its stance on social responsibility in a formulated way? (i.e. have a written document)

Yes	889 71,2%	No	359 28,8%
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Statement 36:

To the best of your knowledge, does the company possess such a document?

Yes	126 10,0%	No	152 12,2%	Have not seen one	971 77,8%
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Statement 37:

If yes, are you in agreement with all issues covered in the respective policy statement?

Yes	104 8,3%	No	22 1,8%
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Use the following statements to indicate your agreement or disagreement with the issues to be covered in such a document.

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 38:						
"Providing policyholders with competitive rates and maximal bonuses"	986 79,0	146 11,7	46 3,7	28 2,2	42 3,4	Number Percentage
Statement 39:						
"Giving donations to charitable organisations"	417 33,4	467 37,4	217 17,4	99 7,9	48 3,9	Number Percentage

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 40:						
"Offering financial assistance to its employees and their dependants to acquire additional housing and improved education"	894 71,6	263 21,1	53 4,3	23 1,8	15 1,2	Number Percentage

Statement 41:						
"Sponsoring research into areas of social responsibility"	500 40,1	493 39,5	169 13,5	63 5,1	23 1,8	Number Percentage

Statement 42:						
"Contributing to community development (e.g. health and educational institutions, old age homes etc.)"	641 51,4	441 35,3	102 82,1	42 3,4	22 1,8	Number Percentage

Statement 43:						
"Channelling its efforts and financial resources to creating the image of a socially responsible Life Assurance Society (e.g. through TV advertisements)"	640 51,3	360 28,8	140 11,2	76 6,1	5 2,6	Number Percentage

Please express your views on the following statements which have a bearing on the issues above.

Statement 44:						
"You can't expect Old Mutual to implement social responsibility programmes if this will adversely affect returns to policyholders"	478 38,3	434 34,8	69 5,5	188 15,1	79 6,3	Number Percentage

Statement 45:						
"Selling insurance policies is itself a socially responsible activity. Therefore Old Mutual is sufficiently social responsibility oriented"	222 17,8	339 27,2	91 7,2	393 31,5	203 16,3	Number Percentage

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 46:						
"The best way to manage social responsibility projects in Old Mutual is to create a special 'Social Responsibility' Department, leaving the other officials to get on with company business"	319 25,6	335 26,8	183 14,7	227 18,2	184 14,7	Number Percentage

Statement 47:						
"The costs of social responsibility projects can be measured, but not their benefits"	354 28,4	476 38,1	108 8,7	219 17,5	91 7,3	Number Percentage

Statement 48:						
"Unless social responsibility becomes one of the organisation's objectives, Old Mutual managers will not pursue social objectives individually or voluntarily"	204 16,3	349 28,0	184 14,0	349 28,0	162 13,0	Number Percentage

OLD MUTUAL'S CORPORATE IMAGE

How would you rate the following statements about Old Mutual's corporate image?

Statement 49:						
"Old Mutual has a good reputation in the insurance industry for displaying high ethical standards"	1015 81,3	204 16,3	20 1,6	7 0,6	2 0,2	Number Percentage

Statement 50:						
"Old Mutual is an equal opportunity employer"	801 64,2	290 23,2	79 6,3	59 4,7	19 1,5	Number Percentage

Statement 51:						
"Old Mutual has a reliable, efficient management team"	722 57,9	364 29,2	87 7,0	62 5,0	13 1,0	Number Percentage

	<u>Strongly Agree</u>	<u>Moderately Agree</u>	<u>Neutral</u>	<u>Moderately Disagree</u>	<u>Strongly Disagree</u>	
Statement 52:						
"Despite its size Old Mutual cares about each policy- holder"	725 58,1	349 28,0	92 7,4	71 5,7	11 0,9	Number Percentage
Statement 53:						
"Old Mutual is a dynamic progressive company"	745 59,7	330 26,4	71 5,7	89 7,1	13 1,0	Number Percentage

References Chapter Twelve

1. Gilbert A Churchill, Jr., Marketing Research Methodological Foundations,
Second edition, Illinois: The Dryden Press, 1979. p. 225.

CHAPTER THIRTEEN

13. Old Mutual's Present Social Activities

To portray the present state of Old Mutual's social responsibility activities, use will be made of Ackerman's⁽¹⁾ model of the process of institutionalising social responsibility into an organisation - as discussed in Chapter 7.

In accordance with this model, the first phase of Old Mutual's social activities is not directly comparable as the chief executives did not personally emphasise a specific interest in social responsibility objectives nor did they demonstrate an awareness of the concept of social responsibility as understood by its publics. Finally, they could not therefore communicate their ideas about social responsibility to all their employees.

The writer could only trace one major speech delivered by Dr J G van der Horst, to the Cape Employers' Association in 1972 which shows an awareness of social responsibility as understood by social scientists. An extract is presented below⁽²⁾:

"There is today an increasing awareness that many business decisions affect more than corporate ownership, the customer in the market place and the staff. Many of our business decisions today touch on:

training facilities for the unskilled;

providing jobs for the unskilled;

the need to provide jobs at an increasing rate to meet the increasing demand for jobs;

the congestion of our cities;

the move from city to suburb;

the pollution of our country;

the protection of the environment;

the problem of inadequate schooling (in spite of the considerable progress that has been made);
drug abuse;
the rising welfare cost and high cost of medical care;
the problems of living too long and dying too soon.
Internationally there is a rising awareness that business is a social institution. That it is not enough today for business to be a law-abiding citizen but that the corporation must also be – and show itself to be – a good citizen".

Nevertheless, even if other speeches were given containing further elements on social responsibility, no specific social responsibility objectives or programmes were formulated or implemented.

Old Mutual's present position in terms of Ackerman's model can be defined as phase two - the learning phase as illustrated in Figure 7.3 on page 190.

This phase could be described in terms of the following activities and developments.

13.1. Donations

Old Mutual has engaged in giving its financial support to various organisations and institutions in the form of donations as stipulated by its Act of Incorporation⁽³⁾ which states in Section 11, Business of Society, Paragraph (O) that the Society is empowered:

"to make such donations in the furtherance of education or research as the directors may, in their discretion, consider beneficial to the Society or conducive to the attainment by the Society of any of its objects".

This provision was the basis upon which Old Mutual formulated its donations programme - the cornerstone of its social responsibility activities.

Old Mutual had thus noted the vital importance of education and research for the development and improvement of the quality of life of South Africa's citizens.

However, by purely concentrating on donating monies to education and research and abiding by their Act of Incorporation, Old Mutual's top management could not show their concern for broader, but no less important, social issues. It became necessary in 1981 to enlarge the powers of the Society in this regard.

The Explanatory Memorandum by the Chairman, Dr J G van der Horst, relating to the proposed amendments to the Act of Incorporation dated October 1981 stated:

"It is proposed that the category of permitted donations should be broadened by the limitation that the donations must be in the furtherance of education and research. This limitation proved an obstacle when the Society wished to make its contribution to the alleviation of hardship after the Lainsburg Floods".

Consequently in December 1981 paragraph (O) was replaced by the version below:

"to make such donations as the directors may, in their discretion, consider beneficial to the Society or conducive to the attainment of any of its objects".

The qualifications necessary to be granted a donation appear to be rather vague and general in nature, and appear to encompass the following:

1. To demonstrate a logic of association with Old Mutual's objectives and line of business.
2. To address real issues of social and economic concern to the community.
3. To contain an element of enlightened self-interest for Old Mutual quite apart from public relations aspects.
4. To have a built-in multiplier effect which would maximise the benefits arising from the donation.

Donations to universities began in 1955 with support being given to coronary heart research at the University of Cape Town, and by 30 June 1982 amounted to over R1,5 million.

The details of donations paid and committed to universities, technikons and colleges amounting to R1 727 050 can be found in Appendix 13-A, while details of donations to Homelands and other causes amounting to R1 066 040 are in Appendix 13-B.

The donations budget for 1982/3 is presented below:

DONATIONS BUDGET 1982/83

SOUTH AFRICA ONLY

EDUCATION

<u>BLACKS</u>	<u>RANDS</u>	
HIGH SCHOOL STUDY GUIDES	15 000	
TECHNICAL HIGH SCHOOL	50 000	
TECHNIKON	4 000	
AGRICULTURAL TRAINING	20 000	
TEACHER TRAINING	50 000	
UNIVERSITIES	35 000	
UNIVERSITY OF OFS EDUCATION PROJECT	20 000	R194 000

<u>WHITE</u>		
TECHNIKONS	24 000	
TEACHER TRAINING	27 000	
UNIVERSITIES	140 000	R191 000

RESEARCH

R13 000

MISCELLANEOUS

[NATIONAL CANCER ASSOC; COUNCIL FOR THE BLIND; HEART FOUNDATION; TUBERCULOSIS ASSOCIATION; COMMUNITY CHESTS]	R27 000
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CONTINGENCY

R25 800

TOTAL:

R450 800

13.2. Establishment of the Corporate Relations Division

This new division evolved from the natural growth and enlargement of the Public Relations Department which began operating in 1966.

At present the hierarchical structure of the division may be portrayed as shown below:

GENERAL MANAGER OPERATIONS – M J C van Greunen

ASSISTANT GENERAL MANAGER MARKETING – G Griffin

CORPORATE RELATIONS MANAGER – H N Groom

(Divisional Manager)

MANAGER PUBLIC RELATIONS	MANAGER PUBLIC RELATIONS	MANAGER PUBLIC AFFAIRS	MANAGER PUBLIC RELATIONS
W F van Eyssen	B A Cullen	L D Hartmann	Johannesburg
(Assistant Divisional Managers)			

The individual managers' responsibilities are defined as follows:

Mr H N Groom, Corporate Relations Manager is responsible for co-ordinating and planning all activities of the Corporate Relations Division. This entails inter alia administering, reviewing and making amendments where necessary to donations and sponsorship policy, maintaining effective media relations and assisting all levels of the Society

in their public relations responsibilities. Mr Groom also co-ordinates and maintains the stakeholder liaison programme.

Mr W van Eyssen, Manager Public Relations, is responsible with Mrs Anitra Pietersen for publicity, both internal and external. Internal publicity entails promoting better internal communications through Amicus Certus (the in-house magazine) and other media. Mrs Pietersen and Mrs Moskovitz share equally with Mr van Eyssen in visiting branches to obtain material for Amicus Certus.

External publicity entails issuing news releases and maintaining general contact with the media i.e. Press, Radio and TV and selected journals. Mr van Eyssen also maintains contact with certain government departments.

Mr B A Cullen, Manager Public Relations, is responsible for the financial control in the division. He is responsible for functions and receptions given by members of the Board and General Management at Mutualpark, the Nedbank/Old Mutual Budget Speech Competition and the Mathematics Olympiad.

He also administers the Society's donations programme to universities, technikons and colleges etc. as well as expenditure on public relations activities including sponsored printing. He maintains contact with certain government departments, business organisations and community leaders.

Mr L D Hartmann, Manager Public Affairs, is responsible for public affairs activities with regard to the Asian, Black and Coloured Peoples in South Africa, the National and Independent States. This includes donations to

Black universities, technikons and colleges; the co-ordination of Old Mutual's management courses for the public; liaison with certain government departments, community leaders and organised commerce and industry in these areas.

This division clarified its activities by defining its functions as follows:

1. Corporate Public Relations is defined as:

"The deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its publics".

2. The objective of Corporate Public Relations is:

"To assist in planning and executing strategies of interaction with specified stakeholders in order to create a favourable climate for the achievement of the Society's marketing and strategic objectives".

3. Corporate Social Responsibility is defined as:

"A concern for the maintenance of and improvement in the environment in which Old Mutual conducts its business; and in the quality of life of its stakeholders and host communities".

This may be summarised as:

"It is good business to be a good citizen".

4. The Stakeholder Concept is explained thus:

"A stakeholder is anyone or any group whose withdrawal of support can impact on our business".

"Publics and stakeholders are synonymous".

"Stakeholders are part of the environment in which we operate".

5. A matrix may be constructed showing each stakeholder's potential influences and importance to Old Mutual. Hence a stakeholder liaison programme where Old Mutual's managers and employees make contact with selected stakeholders was initiated.

Figure 13.1. below shows the basic principles behind stakeholder contacts.

Figure 13.2 shows a segmented list of stakeholders, and

Figure 13.3 presents a liaison report form.

Figure 13-1

STAKEHOLDER CONTACTS

IMPORTANCE RATING	OLD MUTUAL CONTACT	NATURE OF CONTACT	TYPE	FREQUENCY
1.0. NATIONALLY IMPORTANT	GENERAL MANAGEMENT ASSISTANT GENERAL MGMT DIVISIONAL MANAGEMENT REGIONAL MANAGEMENT	1.0. Personal Contact 2.0. Guest at Official Function 3.0. Guest at Branch Function 4.0. Mailing list for 4.1. Annual Report 4.2. Mutual Forum 4.3. Women's Bureau Forum 4.4. Mailshots/Surveys 4.5. Black Tabloid	Business Social Sporting	1.1. Every ----- months 1.2. Annually
2.0. REGIONALLY IMPORTANT	DIVISIONAL MANAGEMENT REGIONAL MANAGEMENT BRANCH MANAGEMENT	1.0. Personal Contact 2.0. Guest at Official Function 3.0. Guest at Branch Function 4.0. Mailing list for 4.1. Annual Report 4.2. Mutual Forum 4.3. Women's Bureau Forum 4.4. Mailshots/Surveys 4.5. Black Tabloid	Business Social Sporting	1.1. Every ----- months 1.2. Annually
3.0. LOCALLY IMPORTANT	REGIONAL MANAGEMENT BRANCH MANAGEMENT DISTRICT MANAGERS	1.0. Personal Contact 2.0. Guest at Official Function 3.0. Guest at Branch Function 4.0. Mailing list for 4.1. Annual Report 4.2. Mutual Forum 4.3. Women's Bureau Forum 4.4. Mailshots/Surveys 4.5. Black Tabloid	Business Social Sporting	1.1. Every ----- months 1.2. Annually

Figure 13-2

SEGMENTED LIST OF STAKEHOLDERS

- | | |
|------------------------------|---|
| 1. Financial Community: | Friendly Companies
Borrowers (mortgage, debentures)
Stock exchange
Companies as Investment targets
Tenants
Property Development Customers
Quasi-Government Institutions (i.e. Escom, I.D.C.) |
| 2. Consumers: | Policyholders – segmented
Future policyholders – segmented
Annuitants
Members of Pension Funds
Future members of Pension Funds
Annuitants of Pension Funds |
| 3. Sales Channels: | Present and future full-time representatives
Independent Contractors
Brokers
Corporate Group Customers |
| 4. Employees: | Future employees
Present employees
Pensioners |
| 5. Government: | Cabinet Ministers
Central Government Departments
Provincial Government
Local Government
Emergent Nations |
| 6. News Media: | National and local Newspapers
Financial Journals
Radio
TV |
| 7. Institutions of Learning: | High Schools
Technikons
Universities |
| 8. Other Opinion Formers: | Ethnic Groups (Jewish Community)
Consumer Bodies
Life Offices Association
Religious Groups
Cultural organisations
Sakekamers
Handelsinstituut
Chambers of Commerce
Chambers of Industry
Agricultural Co-ops and Associations
Trade Unions |

Figure 13-2 Continued

Black Nationalism	
Professional Bodies	bodies doing financial planning not doing financial planning
Local Communities	
Our Board of Directors	
Military	
Sports Bodies	
Public Relations Practitioners	

Figure 13-3

STAKEHOLDER LIAISON REPORT FORM

NAME OF OLD MUTUAL CONTACT:

NAME OF STAKEHOLDER:

ADDRESS OF STAKEHOLDER:

REPRESENTATIVE OF STAKEHOLDER:

POLICY/IES HELD BY STAKEHOLDER:

OLD MUTUAL BUSINESS RELATIONSHIP WITH STAKEHOLDER (if any):

DATE OF CONTACT:

NATURE OF CONTACT:

INFORMATION OBTAINED:

i.e.: Attitude to Life Assurance
 Attitude to Old Mutual
 Trends in environment as seen by stakeholders
 Prospect of business with stakeholder (Group or individual)
 Any complaints about Old Mutual
 Prospects of expansion of Stakeholder

YOUR OPINION OF REPRESENTATIVE OF STAKEHOLDER:

Rate his influence as opinion former

i.e.: Locally important
 Regionally important
 Nationally important
 Politically or industrially important

THIS SHOULD BE FOLLOWED UP BY:

INVESTMENTS PROPERTY GROUP CORP REL. MARKETING M & F LIFE REP.

* Tick whichever is applicable

OTHER COMMENTS:

The corporate relations activities budget presented below further reveals the extent of the division's social involvement.

CORPORATE RELATIONS ACTIVITIES BUDGET

1982 - 1983

	<u>RANDS</u>
AMICUS CERTUS	40 000
MEDIA AFFAIRS	18 500
COUNTRY AND BLACK PRESS ADVERTISING	10 000
BRANCH AND HO ADVERTISING	40 500
SPONSORED PRINTING	20 000
FAIR LADY SELF-DEFENCE VIDEO	5 000
CONGRESS MATERIAL & SPONSORSHIP	16 000
SPORTS SPONSORSHIPS	18 000
MATHEMATICS OLYMPIAD	16 000
NEDBANK/OLD MUTUAL BUDGET COMPETITION and SCHOLARSHIP	24 500
PR PUBLICATIONS AND CARDS	9 000
SCHOOL TIMETABLES	11 000
RECEPTIONS	8 000
ANNUAL REPORT	75 000
CHAIRMAN'S ADDRESS	14 000
CORPORATE; BUSINESS & SPORTS CLUB SUBS	81 000
ARMY NEWSPAPER - 'UNIFORM'	37 000
NAVY NEWS	6 000
PR MANAGEMENT COURSES	4 000
REGIONAL MANAGERS' PR ALLOWANCES (10)	25 000
CARTAGE; RAILAGE; AIRFREIGHT	15 500
GOLD MEDALS AND N.A.F.C.O.C. BURSARY	7 000
CONTINGENCY	18 000
<u>TOTAL</u>	<u>R519 000</u>

The outlined framework of corporate social programmes of Old Mutual is very similar to that proposed by King and Cleland⁽⁴⁾ as discussed in Chapter 3.

The interviews conducted with all the managers of the division confirm that awareness of the social responsibility concept is very high amongst those responsible for carrying out the functions described above.

Mr Groom, fully perceiving the evolutionary nature of his division's future operations provides the necessary promotional stimuli to his staff. However, the activities and programmes as outlined above are not fully appreciated or understood by all managers and employees of other divisions.

Top management is fully aware of this gap and attempts to educate all Old Mutual employees of the intended activities of the new Corporate Relations Division through publicity in Amicus Certus magazine which was begun in June 1982.

The appointment of Mr Groom as Corporate Relations Manager is noteworthy as he displays all the specific characteristics for the function as defined earlier in Chapter 7 by Eilbert and Parket⁽⁵⁾.

Yet analysing the above outline of the activities of the Corporate Relations Division many are not directly related to or concerned with social responsibility per se, but aim more at establishing a favourable corporate image of Old Mutual in the public's mind.

13.3. Affirmative Action Programme

The affirmative action programme is aimed at providing equal opportunities of employment to all members of the South African labour force regardless of race or any other discriminatory factor.

One of its primary objectives is the active recruitment and selection of suitable non-White (Black, Coloured and Asian) employees on a continuing basis, and to assist with their rapid development and training to meet the Society's manpower needs at all levels.

The reasons influencing the introduction of the affirmative action programme were:

1. The realisation by top management of the shortage of skilled and semi-skilled labour in South Africa.
2. The demographic projections by various experts, notably Professor Sadie⁽⁶⁾ of Stellenbosch University, of the increased size of the non-White sector of the population and their influence in the economy.
3. The realisation that the continued growth of the Society in the future depended to a large degree on the availability of suitably trained manpower.
4. The desire to help develop the non-White population groups as a pre-requisite for the continued maintenance of a stable economy and social structure.

5. The desire to act as a responsible corporate citizen.

The movement termed 'affirmative action' began in 1977 with the establishment of an inter-departmental committee to investigate matters relating to the employment of non-Whites. The stated objectives of this committee was:

"To make use of the best potential labour available on the market irrespective of colour".

Even in June 1978 only 7,1% of Head Office and Branch employees were non-Whites.

A formal affirmative action programme was proposed by the Personnel Division in 1980, and Figure 13.4 below give the information on the proposed code of employment practice. (7)

Figure 13.4

SUGGESTED CODE OF EMPLOYMENT PRACTICE.

The Old Mutual firmly believes in the equality of treatment and opportunity for all employees regardless of race, sex or religion. It consequently commits itself to implement (or to do so as soon as practically possible) the following:

- (a) Ensuring that employment, development and promotion is open to all and based on merit.
- (b) That active efforts be made to increase opportunities for non-Whites at all levels in terms of annually established objectives.
- (c) To work both within and outside the organisation, for the removal of artificial barriers to advancement of any employees.

- (d) That remuneration is linked purely to merit and the job evaluation structure.
- (e) To ensure that fringe benefits are available to all except where discrimination is technically defensible or based on existing legislation.
- (f) That recreation and other facilities are open to all.

A confidential questionnaire was used to help divisional managers formulate their specific non-White employment requirements. A copy of this questionnaire can be found in Appendix 13-C.

The prime objective of this affirmative action programme was the reaching of 16% race penetration at Head Office by 30 June 1982. This target was already exceeded by September 1981, and at 30 June 1982, the penetration figure was 18,93%.

A further objective of the affirmative action programme was the development and upgrading of non-White employees.

Progress realised in these areas is shown in Tables 13.1, 13.2, and 13.3 below.

Table 13-1

OLD MUTUALTOTAL NON-WHITE INTEGRATION (GRADES 16 TO 1)

	JUN 1978	DEC 1978	JUL 1979	DEC 1979	JUN 1980	DEC 1980	JUL 1981	SEPT 1981	DEC 1981	JUN 1982	SEPT 1982
	%	%	%	%	%	%	%	%	%	%	%
Head Office	8,0	8,6	8,2	8,3	9,0	12,0	16,1	16,81	17,59	18,93	19,36
Branches in Republic (Including Windhoek)	5,9	6,4	7,0	7,5	7,6	8,7	10,5	10,96	12,05	13,54	14,42
Head Office & Branches in Republic	7,1	7,6	7,7	8,0	8,4	10,5	13,7	14,29	15,21	16,63	17,23
Branches outside The Republic	34,2	40,4	44,2	44,5	50,2	55,4	58,2	57,23	59,89	64,66	66,98

TABLE 13.2

RACE PENETRATION BY GRADE AT HEAD OFFICE

<u>MALES</u>			<u>FEMALES</u>		
<u>Grade</u>	<u>White</u>	<u>Non-White</u>	<u>Grade</u>	<u>White</u>	<u>Non-White</u>
1-2	17		1-2		
3-4	40		3-4		
5-7	129	2	5-7	2	
8	72		8	2	
9	94	4	9	6	
10	66	1	10	19	
11	105	4	11	34	
12	112	23	12	61	1
13	129	22	13	157	4
14	62	50	14	289	13
15	50	110	15	281	89
16	34	90	16	176	52
Totals:	910	306		1027	159

Table 13-3

UPWARD SHIFTS IN GRADES FOR ALL OFFICE STAFFFIGURES EXCLUDE BRANCHES IN ZIMBABWE, KENYA AND MALAWI

1.7.1980				1.7.1981				1.7.1982				
Grade	H.O.	Branches	Total	H.O.	Branches	Total	Variance	H.O.	Branches	Total	Variance	Total Variance
1 - 2												
3 - 4												
5 - 7				1		1	+ 1	1		1	+ 1	+ 1
8	1		1				- 1	1		1	+ 1	-
9	1	2	3	4	2	6	+ 3	3	2	5	- 1	+ 2
10	1		1	1	3	4	+ 3	1	4	5	+ 1	+ 4
11	4	5	9	3	3	6	- 3	4	2	6	-	- 3
12	3	2	5	6	6	12	+ 7	24	11	35	+ 23	+ 30
13	13	4	17	27	7	34	+ 17	23	18	41	+ 7	+ 24
14	39	7	46	53	21	74	+ 28	59	29	88	+ 14	+ 42
15	71	46	117	111	63	174	+ 57	188	83	271	+ 97	+154
16	58	54	112	148	67	215	+ 36	143	90	233	+ 18	+121

Commenting on Table 13.3, it is interesting to note that Grade 12, Section Head Status has increased seven times from 5 to 35. Another increase was in Department Head (Grades 8 - 10) from 5 to 11 people.

Furthermore an investigation by the Personnel Research Department into the comparison of non-White and White salaries for identical grade levels revealed that there was no salary or wage discrimination. A copy of these statistics may be found in Appendix 13-D.

Although from a purely statistical point of view the affirmative action programme in Old Mutual is successful, there are certain problems that are being encountered. These include:

1. The degree of acceptance of all divisional managers of the affirmative action programme. Not all managers have totally accepted the basic concept.
2. The negative reaction of the White employees in certain departments to desegregation. This negative attitude is especially noticeable in departments employing lower skilled White workers.
3. The relatively small number of suitably qualified non-White employees available for employment. This problem is exacerbated by the poor standard of general non-White education and the competition among South African employers for suitable candidates.
4. Old Mutual's job evaluation experts have found that non-Whites are

less proficient at abstract skills, such as planning and co-ordinating, than their White colleagues. It should be noticed that the majority of non-Whites in higher grade occupations are employed as specialists and programmers. They are seldom found in supervisory roles.

5. The difficulty of structuring development courses, for example such as those for instilling confidence or assertiveness training, without creating the impression that these courses are inferior.

13.4. Employee Relations

In the Society's news magazine, 'Amicus Certus' of December 1981, Dr J G van der Horst, the Chairman of Old Mutual defined the Society's philosophy, objectives and policies regarding its employees as follows⁽⁸⁾:

"Old Mutual is committed to creating a climate that permits each employee to realise his or her full potential, regardless of race, sex, or religion and, where distinction is made, such distinction is made solely on the basis of status or career orientation.

Employees of Old Mutual naturally have their individual political and religious views, but are expected to respect the neutral stance of Old Mutual itself. Old Mutual does not concern itself with the personal, social, religious or political activities or views of the employees provided that these do not bring Old Mutual into contentious situations, or convey the impression that Old Mutual itself takes a non-neutral stance, or detract from the employee's ability to perform his or her work in a satisfactory manner".

The same cautious approach to public or social issues is expressed by Mr F J Davin in his address to General and Divisional Management given in Cape Town on 21 April 1981⁽⁹⁾:

"Old Mutual has adopted a low profile on public issues and has successfully played a 'behind the scenes' role".

These two statements amply describe Old Mutual's present stance and attitude to employee relations.

In the past, Old Mutual filled its staff vacancies by engaging directly only White male school leavers. The findings of this study have clearly shown the change in this policy as more and more non-White employees, male and female, are being employed.

The following extract from a personnel policy statement dated 22 October 1974 illustrates the discussed change in terms of the complete parity white and non-White employees⁽¹⁰⁾:

- "1. Salary: Salaries are based on the requirements of the post regardless of race.
2. Substitution: White staff may not be displaced by non-White appointments. Any changes made are to be done with the knowledge and co-operation of your existing staff.
3. Situation: The physical working conditions of non-White clerical staff must be of the same standard as those for White clerical staff viz. air, light, space, etc. including separate toilet facilities.
4. Supervision: Male non-Whites must be supervised by a male if that supervision is White. Non-White females may not be supervised by White males.

5. Separation: Physically White and non-White clerical staff must be partitioned off from each other. Non-White clerical staff must also be partitioned off from the White public."

Further evidence of the change in employee related policies of Old Mutual has been the removal of all discriminatory signs at its Head Office, plus the fact that Old Mutual Sports Club became the first multiracial sports club in South Africa (3 October 1979).

In addition, Old Mutual's training and development courses are open to all staff members on a totally non-discriminatory basis. Appendix 13-E shows the extent of available courses.

A situation which illustrates the rapid response of Old Mutual's top management to changing social pressure-is the manner in which they handled the so-called 'Mostert Affair'.

Although this incident has been fairly well publicised in the local press a few aspects will be mentioned below⁽¹¹⁾:

A senior Old Mutual manager, Mr S E Mostert, Divisional Manager Field Services, reportedly made disparaging racial remarks to a multi-racial audience at the regional conference of the Afrikaanse Handelsinstituut in Graaff-Reinet on Wednesday 21 October 1981.

His remarks were immediately condemned by all, including both the English and Afrikaans press.

Mr Mostert was forced to resign as shown by the following statement released by the Corporate Relations Manager on 26 October 1981⁽¹²⁾.

STATEMENTS TO THE PRESS FOLLOWING REMARKS MR S E MOSTERT, FIELD SERVICES MANAGER, IS REPORTED TO HAVE MADE ACCORDING TO CERTAIN NEWSPAPERS

Following two reports appearing respectively in the Cape Times in Cape Town and the Eastern Province Herald in Port Elizabeth, Old Mutual's Chairman, Dr J G van der Horst released the following statement on Thursday, October 22, 1981.

"The remarks Mr S E Mostert is reported to have made at the AHI conference in Graaff-Reinet, were entirely without the knowledge of any of his superiors. They are totally rejected and repudiated by Old Mutual and in so far as they have given offence to anyone concerned, Old Mutual offers it sincere apologies".

After a meeting between Old Mutual's senior members of General Management and Mr Mostert, the following statement by Dr J G van der Horst was released the same afternoon.

"After a meeting between senior members of the General Management of Old Mutual and Mr S E Mostert, it has been decided that Mr Mostert will forthwith leave the employment of Old Mutual."

This decision can be interpreted in two ways:

Firstly, top management became aware of the possible loss of business from the non-White communities.

Secondly, the Society has adopted an attitude of concern for public expectations.

At present Old Mutual potentially faces an explosive situation in its

employee relations through the recent creation of a Black trade union - the South African Insurance/Assurance Workers' Union, which held its first general meeting on 19 August 1982.

Although the creation of the trade union is not illegal, the members will not have the necessary bargaining power to immediately influence Old Mutual decisions regarding Black workers' aspirations. Yet, it may eventually have quite substantial ability to exercise political pressure.

This movement obviously calls for a response from Old Mutual's management and their present actions seem to indicate that Old Mutual is willing to co-operate with the new union; and also to formulate its policies and implement its activities in such a way as not to create any conflicting situations between management and Black workers. Furthermore, Old Mutual co-operates and shares expertise in this field with other members of the insurance industry, for example through Core Committee meetings of the Life Offices Association.

13.5. Secondments

Old Mutual's top management is willing to accept secondment of its employees to outside organisations, but each case will be considered on its merits⁽¹³⁾.

Secondment could take place through either the employee contributing to the general interest of the community or country, or where secondment enriches the individual's job particularly in the case of people who appear to be stagnating within the Society.

However, Old Mutual has no intention of seeking these opportunities and no formal programme exists.

The writer has established fifty-four incidents of the secondment of employees⁽¹⁴⁾. This figure includes movements to associated companies such as the Mutual and Federal Insurance Company Limited and the South African Permanent Building Society Limited.

Three examples of secondments are shown below:

1. Mr A J van Ryneveld, ex-General Manager Pensions to the Urban Foundation. This move illustrates the awareness of Old Mutual's Chairman and top management to the social problems of housing and education which constitute major areas of concern for the Urban Foundation.
2. Mr A S Thomas ex Department Head Mail and Transport to the Scout Movement.
3. Mr F T M Drummer ex Pensions Adviser Johannesburg to Nampak Limited.

In a similar vein, Old Mutual employees are encouraged to join service clubs, welfare organisations and business associations to obtain the necessary exposure to social, public and business issues.

APPENDIX 13 - A
DONATIONS PAID AND COMMITTED AS AT 30.6.1982
UNIVERSITIES, TECHNIKONS AND COLLEGES

DONATIONS PAID AND COMMITTED AS AT 30.6.1982

UNIVERSITIES, TECHNIKONS & COLLEGES

<u>UNIVERSITIES:</u>		<u>PAID</u>	<u>COMMITTED</u>	
<u>University of Cape Town</u>				
1955	Coronary Heart Research	2 000		
1956	Cardiac Clinic	10 000		
1965/66	Donation	100 000		
1965/71	Study Loans	10 500		
1968	Chris Barnard Heart Fund	50 000		
1968	T E Dönges Doctorate Bursary Fund	2 500		
1971/73	UCT Graduate School Bursaries	7 700		
1975/80	UCT Foundation	50 000	-	
1979/81	Cancer Research	50 000	-	
1981/82	Hospice Movement - Dr. C. Dare	1 600	-	
<u>University of Stellenbosch</u>				
1965/71	Study Loans	10 500	-	
1966/67	Donation	100 000	-	
1969/74	Geneeskundige Navorsingsfonds	25 000	-	
1971/73	Graduate School Bursaries	7 700	-	
1972/85	Bureau for Economic Research	21 000	9 000	[R3 000 p.a. for 3 yrs]
1974/83	Unit for Futures Research	22 000	3 000	[R3 000 p.a. for 1 yr.]
1976	Association of Surgeons' Congress	2 000	-	
1977/78	Donation of Government Gazettes	3 000	-	
1978	USKOR Dental X-ray Unit	4 500	-	
1982/86	Erection of New G.S.B. Complex	30 000	120 000	[R30 000 p.a. for 4 yrs]
1981/82	Cambridge University Lecturer	2 000	-	
<u>University of Witwatersrand</u>				
1967/68	Donation	100 000	-	
<u>University of Pretoria</u>				
1967/68	Donation	100 000	-	
1968	T B Research	500	-	
1968/81	Eugène Marais Chair of Wildlife Mgmt	72 500	5 000	[Reviewed annually]
1973	Final Year Medical Student Congress	1 000	-	
1979/82	Bureau for Financial Analysis	6 000	-	[To be reviewed annually]
1982/86	Chair in Career Guidance	-	150 000	[R30 000 p.a. for 5 yrs]
<u>University of South Africa</u>				
1969/73	Donation	100 000	-	
1969/71	Bursaries	2 100	-	
1976/80	Donation	50 000	-	
1982	Study Facilities in Johannesburg	10 000		[To be reviewed annually]

(ii)

PAIDCOMMITTEDUniversity of the Orange Free State

1969/74	Donation	62 500		
1982/84	Research Unit for Education	20 000	40 000	[R20 000 p.a. for 2 yrs]

University of Natal

1969/74	Donation	62 500	-	
1981	Equipment for Medical Research	6 200	-	

University of Port Elizabeth

1960/65	Bursaries	15 850	-	
1966/71	Study Loans	10 500	-	
1969/73	Donation	62 500	-	

Randse Afrikaanse Universiteit

1969/74	Donation	62 500	-	
1979/80	Photo-copy Machine	3 000	-	
1982/86	Chair in Investment Management [R10 000 1982 - to be reviewed for increase to R20 000 p.a. from 1983]	10 000	40 000	[R10 000 p.a. for 4 yrs]

Rhodes University

1966/71	Study Loans	10 500	-	
1969/74	Donations	62 500	-	

Potchefstroom University

1960/65	Bursaries	400	-	
1969/74	Donation	62 500	-	

University of Zimbabwe

1973/74	Donation	60 000	-	
1982/84	Donation	-	30 000	[R10 000 p.a. for 3 yrs]

University of Western Cape

1974/78	Donation	50 000	-	
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University of Fort Hare

1981/85	Donation	20 000	30 000	[R10 000 p.a. for 3 yrs]
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University of Zululand

1981/85	Donation	20 000	30 000	[R10 000 p.a. for 3 yrs]
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University of Transkei

1982/86	Donation	5 000	20 000	[R5 000 p.a. for 4 yrs]
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(iii)

PAIDCOMMITTEDUniversity of the North

1982/86	Donation	10 000	40 000	[R10 000 p.a. for 4 yrs]
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University of Malawai

1982	Donation	-	2 000	[Once only]
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TOTAL - UNIVERSITIES

R1 570 550TECHNIKONS AND COLLEGESNatal Technikon

1974/79	Donation	20 000	-	
1980/84	Donation	12 000	8 000	[R4 000 p.a. for 2 yrs]

Cape Technikon

1975/79	Donation	20 000	-	
1980/84	Donation	12 000	8 000	[R4 000 p.a. for 2 yrs]

Peninsŭla Technikon

1980/84	Donation	12 000	8 000	[R4 000 p.a. for 2 yrs]
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Vaal Triangle Technikon

1975/79	Donation	20 000	-	
1981/85	Donation	8 000	12 000	[R4 000 p.a. for 3 yrs]

Pretoria Technikon

1981/85	Donation	8 000	12 000	[R4 000 p.a. for 3 yrs]
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Port Elizabeth Technikon

1982/86	Donation	4 000	16 000	[R4 000 p.a. for 4 yrs]
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Mabopane East Technikon

1982	Donation	10 000	-	[Once only]
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Goudstadse Onderwyskollege

1981/85	Donation	8 000	12 000	[R4 000 p.a. for 3 yrs]
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Windhoek Teachers' College

1980/84	Donation	12 000	8 000	[R4 000 p.a. for 2 yrs]
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Bloemfontein Teachers' College

1982/86	Donation	4 000	16 000	[R4 000 p.a. for 4 yrs]
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(iv)

PAID

COMMITTED

Onderwyskollege Pretoria

1981/87	Donation	5 000	25 000	[R5 000 p.a. for 5 yrs]
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Hewat Training College

1982	Conference Airfares	1 500	-
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TOTAL - TECHNIKONS & TRAINING
COLLEGES

R156 500

APPENDIX 13 – B

DONATIONS PAID AND COMMITTED AS AT 30. 6. 1982

HOMELANDS AND OTHERS

DONATIONS PAID AND COMMITTED AS AT 30.6.1982

(HOMELANDS AND OTHERS)

<u>HOMELANDS</u>	<u>PAID</u>	<u>COMMITTED</u>
<u>Bophuthatswana – Science Block</u>		
1979/80 Donation	20 000	-
<u>Ciskei – Teachers' Training College</u>		
1979/80 Donation	20 000	
<u>Kwazulu – Audio Visual Laboratory</u>		
1979/80 Donation	20 000	-
<u>Lebowa</u>		
1980/81 Donation		20 000
<u>Venda</u>		
1980/81 Donation	20 000	-
<u>Gazankulu</u>		
1981/82 Donation		20 000
<u>OTHERS</u>		
<u>S.A.Akademie vir Wetenskap en Kuns</u>		
1967/82 Donation	200 700	16 000
<u>Urban Foundation</u>		
1979/82 Jabulani Technical High School	200 000	50 000
1981/82 Savio Education Centre for Teachers	50 000	100 000
<u>S.A. College of Medicine</u>		
1968/78 Donation	100 000	
<u>Bilharzia Research</u>		
1968/79 Donation	30 550	
1981/82 Donation (Once only)		5 000
<u>Zimbabwe Maths Olympiad</u>		
1979/81 Donation	3 500	-
<u>National Cancer</u>		
1971/82 Donation	11 000	2 000

(ii)

Eyebank Foundation

1975/78	10 000	-
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S.A.N.T.A

1975/82 Donation	16 000	4 000
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Under Graduate Medical Research Fund

1968/72 Donation	5 000	-
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Bantu Admin. (Sport)

1973/74 Donation	25 000	-
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African Scholars Fund

1975/79 Donation	2 370	-
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Doctorate Thesis (John Fairbairn)

1975/76 Donation	1 600	-
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Vaktaalburo

1975/76 Donation	3 000	-
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S.A. Society of Urologists Congress

1975/76 Donation	2 000	-
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Transvaal Association of Coloured Teachers

1975/80 Donation	2 500	-
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Nursing Education Centre

1976/77 Donation	1 500	-
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College of General Practitioners

1976/77 Donation	1 500	-
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English Academy

1974/79 Donation	1 250	-
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National Orthopaedic Conference

1980/82 Donation	4 000	-
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The Heart Foundation of S.A.

1979/82 Donation	30 000	20 000
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(iii)

S.A.National Council for the Blind

1980/82	Donation	8 000	12 000
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S.A. Society

1968/71	Donation	2 000	-
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BURSARIES

1965/70	Teachers	21 120	-
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1965/70	Lesotho	3 450	-
---------	---------	-------	---

1965/70	Heidelberg College	400	-
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1065/70	Bachelor Degree	11 600	-
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1965/70	Veterinary Science	2 000	-
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1965/70	Agricultural Bursary	2 600	-
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1969/70	Afr. Taal Monument Bursary	1 000	-
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COMMUNITY CHESTS

Cape Town

1966/82	Donation	19 000	10 000
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Durban

1966/82	Donation	16 000	5 000
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Port Elizabeth

1966/82	Donation	16 000	5 000
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<u>Transoranje-Instituut vir Buitengewone Onderwys</u>		8 000	12 000
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SINGLE DONATIONS

1820 Settlers Memorial Association

1969/70	Donation	10 000	-
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1974/75	Donation	7 500	-
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1820 Settlers Monument (Indian Academy)

1980/81	Donation	1 250	-
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(iv)

Tulbagh Restoration Committee

1974/75	Donation	1 500
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St. Francis Cultural Centre

1976/77	Donation	2 000	'	-
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Sending Trustfunds

1977/78	Donation	1 000
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Laingsburg Karoo Disaster Fund

1980/81	Donation	50 000	-
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Star Schools – Study Guides

1981/82	10 150	15 000
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MISCELLANEOUS

S A Foundation (Subscription)	87 500
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TOTAL

R1 066 040

R297 000

APPENDIX 13 – C

QUESTIONNAIRE CONCERNING THE
AFFIRMATIVE ACTION PROGRAMME

CONFIDENTIAL

QUESTIONNAIRE

Old Mutual adheres to a non-discriminatory Code of Employment Practice. To implement our policy of equal opportunity the increased employment and development of non-Whites has been made a Key Result Area. This questionnaire has been designed to help your division in the formulation of specific objectives in this area (Office Staff).

EMPLOYMENT

1. What is your total staff complement?

2. How many non-Whites do you employ?

Males: -----

Females: -----

Total: -----

3. In which areas are they employed?

(a) -----

(b) -----

(c) -----

(d) -----

(e) -----

(f) -----

4. What is your expected new employee intake for 1980/81 (all categories)?

5. How many non-Whites will you be able to employ?

6. Are there any specific reasons why you cannot employ non-Whites? If yes, what are these reasons? (Please note that reasons such as 'White employee resistance' are not acceptable).

7. What can you do to overcome the limitations mentioned in 6.

DEVELOPMENT

1. Do you have any non-White staff who could be promoted within the next year? (Please list their names)

To Grade 15,14,13? -----

To Grade 12 or 11? -----

To Grade 10, 9 or 8? -----

2. What development activities are they involved in?

3. What additional development activities can you involve them in?

4. Do you have non-White staff with longer-term development potential? i.e. to Grade 12, 11 and above. Please list them and what level they are likely to achieve in the next 5 years.

<hr/>	<hr/>
<hr/>	<hr/>
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5. What development activities do you plan for them?

1980/81 M.F.G.'s

1. The ----- Division will employ -----non-Whites in the next Business Plan Year in the following categories:
 - (a) -----
 - (b) -----
 - (c) -----
 - (d) -----
 - (e) -----
 - (f) -----
2. Of these ----- will be promotable to at least Grade 12 within 5 years.
3. This Division will develop the following non-White staff for promotion (level indicated) during the next Business Plan Year (Grade 12 and above).
 - (a) -----
 - (b) -----
 - (c) -----
 - (d) -----
 - (e) -----
 - (f) -----

SIGNED: -----

DIVISIONAL MANAGER

APPENDIX 13 - D

SALARY ANALYSIS BY DIFFERENT RACE GROUPS
PER GRADE

OLD MUTUAL

SALARY ANALYSIS BY DIFFERENT RACE GROUPS PER GRADE -
EXCLUDING ZIMBABWE, MALAWI AND KENYA

OFFICE STAFF ONLY - UP TO AND INCLUDING DEPARTMENTAL MANAGEMENT

<u>GRADE</u>	<u>RACE GROUP</u>	<u>NO. OF IN-CUMBENTS</u>	<u>AVERAGE PEER</u>	<u>% OF AVERAGE WHITE PEER</u>	<u>AVERAGE GROSS SALARY</u>	<u>% OF AVERAGE WHITE GROSS SALARY</u>
8	W	143	1419	100,0	1445	100,0
	B	1	1454	102,5	1454	100,6
	C	1	1497	105,5	1497	103,6
9	W	140	1262	100,0	1276	100,0
	B	1	1122	88,9	1122	87,9
	C	4	1147	90,9	1147	89,9
10	W	110	1097	100,0	1112	100,0
	B	4	947	86,3	947	85,2
	C	1	929	84,7	929	83,5
	A	2	1067	97,3	1067	96,0
11	W	192	942	100,0	958	100,0
	C	5	902	95,8	902	94,2
	A	1	773	82,1	773	80,7
12	W	224	826	100,0	839	100,0
	B	8	718	96,9	737	87,8
	C	14	757	91,6	767	91,4
	A	3	764	92,5	764	91,1
13	W	368	685	100,0	694	100,0
	B	6	659	96,2	666	96,0
	C	26	647	94,5	648	93,4
	A	8	674	98,4	686	98,8
14	W	580	577	100,0	587	100,0
	B	12	574	99,5	574	97,8
	C	51	546	94,6	549	93,5
	A	12	553	95,8	568	96,8
15	W	786	476	100,0	485	100,0
	B	24	474	99,6	477	98,4
	C	185	445	93,5	453	93,4
	A	46	447	93,9	462	95,3
16	W	439	395	100,0	400	100,0
	B	62	368	93,2	375	93,8
	C	145	381	96,5	388	97,0
	A	19	372	94,2	389	97,3
<u>RACE GROUP</u>	<u>OVERALL WEIGHTED % AVERAGE OF WHITE PENSIONABLE SALARY</u>			<u>OVERALL WEIGHTED % AVERAGE OF WHITE GROSS SALARY</u>		
Black	94,7			94,6		
Coloured	94,6			94,5		
Asian	94,5			95,9		

APPENDIX 13 - E

TRAINING AND DEVELOPMENT COURSES

OFFERED BY OLD MUTUAL TO THEIR EMPLOYEES

INDUCTION PROGRAMME

OBJECTIVE: TO: (1) allay the anxieties and uncertainties of the new employee, and

(2) Make the individual aware of what to expect and what is expected in return so that the person may make a meaningful contribution within as short a time as possible.

COVERAGE:

- History of Life Assurance
- History of the Mutual Group
- How Life Assurance operates

(This is a learner-controlled programme done by the new employee under the guidance of his or her department head).

INTENDED FOR: New appointments to Old Mutual

DURATION: To be completed by the new employee within 8 days of commencing employment.

RECRUITING AND SELECTION WORKSHOP

OBJECTIVE: To enable the participants to recruit and select staff according to the 8 tasks of the Recruiting and Selection system.

COVERAGE - The preparation of Job Descriptions and Job Specifications with the required attributes.

- The drawing up and placing of Job Advertisements.
- The screening of applications.
- Preparation for the interview.
- The conducting of the interview.
- Evaluating the results.
- Making the offer to the successful applicant.
- Rejecting the unsuitable applicant.

INTENDED FOR: Anyone who has to do recruiting and/or selection of staff.

DURATION: Two full days.

JOB ANALYSIS WORKSHOP

(ENSURING SYSTEMATIC JOB-RELATED STAFF DEVELOPMENTS)

N.B. As the system dealt within this programme results in a foundation on which an integrated and systematic staff development programme can be based, this is an essential workshop for all managers and experienced staff.

OBJECTIVE: To enable participants to acquire the skill to carry out the critical steps which will result in systematic job-related staff development.

COVERAGE: How to:

- (1) Prepare job descriptions
- (2) Prepare job specifications
- (3) Establish training gaps (needs).
- (4) Decide on the training required.
- (5) Arrange for training to be done.
- (6) Check the results of the training done.

N.B. A vital part of the programme is a post-workshop consultancy service provided by the Trainer who conducts the workshop.

INTENDED FOR: Departmental and Supervisory managers as well as key personnel.

DURATION: 2,5 hours a day for 3 consecutive working days.
1 full day for Branches.

JOB RELATIONS WORKSHOP

OBJECTIVE: To sensitise staff to, and assist them in developing, behavioural and group interaction skills which will result in maximum group effectiveness.

COVERAGE:

- Introduction to the various aspects of group and individual effectiveness.
- Analysis of a group discussion pre-recorded on Closed Circuit Television (C.C.T.V.) in terms of group and individual effectiveness.
- Three group exercises by participants, all of which are recorded on C.C.T.V. and analysed.
- A follow-up, after 3 months, is conducted with managers and participants to ascertain the effectiveness of the workshop.

INTENDED FOR: Graded office staff.

DURATION: 3 hours a day for 5 consecutive working days.

JOB INSTRUCTION TRAINING WORKSHOP

OBJECTIVE: To enable the participants to acquire and apply the skill of on-the-job instruction according to the five-step training method so that their learners can perform the newly-learned tasks without mistakes.

COVERAGE: Limitations of training methods often used.

- A dependable method based on the following five steps:
 - (1) Prepare the learner for the learning situation.
 - (2) Explain the critical steps to the task to be learned.
 - (3) Show how the task must be done using the critical steps.
 - (4) Observe the learner practising the task until proficient.
 - (5) Supervise to ensure that the learner continues doing the task correctly.
- Job breakdown procedures.
- Principles of learning are highlighted during frequent skill practice sessions.

A follow-up is held approximately four weeks later to discuss any problems experienced with the 5-step method and to reinforce the skills learned.

INTENDED FOR: Section Heads and graded office staff.

DURATION: 2,5 Hours per day for 3 consecutive working days.

EFFECTIVE LETTER WRITING WORKSHOP

OBJECTIVE: To enable staff to apply key principles of effective letter writing to any correspondence they are required to write.

COVERAGE: How to:

- (1) Plan your writing.
- (2) Be clear in your communication.
- (3) Be courteous in your communication.
- (4) Be positive in your communication.
- (5) Be concise in your communication.

The participant studies a workbook consisting of the above principles, session by session. At the end of each session an exercise is completed by the participant and screened by the trainer.

INTENDED FOR: Letter passers, experienced letter writers and novice letter writers.

DURATION: 2,5 hours per day, for three consecutive days. Or on a correspondence/assignment basis for Branches without Regional Training Centres nearby.

EFFECTIVE SPEAKING WORKSHOP

OBJECTIVE: To enable participants to acquire and develop the skill and self confidence to speak effectively to individuals and/or groups of people.

COVERAGE:

- (1) Physical projection
- (2) The effective use of visual aids
- (3) How to create interest
- (4) How to get a point across
- (5) A speech-making formula.

INTENDED FOR: People who in the performing of their duties are regularly required to verbally address a group of people.

DURATION: 2 hours a day for 5 consecutive days.

EFFECTIVE CUSTOMER CONTACT WORKSHOP

OBJECTIVE: To enable participants to handle customer interactions effectively.

COVERAGE:

- Maintaining harmonious relations
- Handling straight-forward interactions
- Handling the difficult customer
- Handling the re-selling situation.

INTENDED FOR: All clerical staff who deal with the public.

DURATION: 1,5 full days or 3 half-day sessions.

EFFECTIVE TELEPHONE USAGE WORKSHOP

<u>OBJECTIVE:</u>	To enable the participants to handle basic incoming and outgoing telephone calls in a manner acceptable to the caller and Old Mutual.
<u>COVERAGE:</u>	The critical steps that should be used for incoming and outgoing telephone calls. Practise to develop the skill to apply these steps with confidence.
<u>INTENDED FOR:</u>	Junior grades who use the telephone.
<u>DURATION:</u>	One four-hour session.

EFFECTIVE READING PROGRAMME

OBJECTIVE: To increase reading speed by at least 400 words per minute and maintain, or increase to at least, a 70% comprehension level.

COVERAGE:

- Introduction to effective reading
- Increasing speed in reading
- Comprehension-building
- Developing additional reading skills
- Re-inforcement of speed and comprehension.

INTENDED FOR: People who are required to read and comprehend large amounts of written material.

DURATION: This is a self study programme consisting of 7 sessions of approximately 1 hour each depending on how quickly the particular skill is mastered.

PRODUCTS AND PROCEDURES PROGRAMME

OBJECTIVE: To enable office staff members to acquire a knowledge of:

- (a) Old Mutual's product range; and
- (b) basic procedures.

COVERAGE:

- Detailed information about Old Mutual policies
- Calculation of premiums and stamp duty
- Calculation of claim and maturity values
- Completion of application and other necessary forms
- Old Mutual's bonus system
- Medical Requirements and Survival Rating
- Basic legal points
- New Business receipts and Interim cover notes
- Dating of Policies
- Occupational extra premiums/loadings

(A Certificate of Proficiency in Products and Procedures will be presented to those who successfully complete the programme).

INTENDED FOR: Anybody requiring detailed product and procedural knowledge including premium calculations.

CRITERION REFERENCED INSTRUCTION WORKSHOP

(THE REVISED LEARNER-CONTROLLED INSTRUCTION WORKSHOP)

OBJECTIVE: To enable participants to develop learning systems based on the principles of 'Criterion Referenced Instruction'.

COVERAGE:

- Description and application of selected principles of learning with the emphasis on the learner-centred approach.
- The compiling of performance and development guides
- The preparation of wordbooks and resources.

INTENDED FOR: Section Heads and fully-trained graded office staff.

DURATION: 5 consecutive working days.

AN OVERVIEW OF OLD MUTUAL'S PRODUCTS

N.B.	THIS IS NOT AS DETAILED AS THE PRODUCTS AND PROCEDURES PROGRAMMES WHICH PROVIDES MORE DETAIL AND COVERS CALCULATIONS
<u>OBJECTIVE</u>	To provide office staff members with an overview of Old Mutual's products.
<u>COVERAGE:</u>	<ul style="list-style-type: none">- How did insurance start;- What is an insurance policy;- The various types of insurance policies covered under the following groups:<ul style="list-style-type: none">- Term Assurances;- Whole life Assurances;- Pure Endowment;- Childrens' Plans;- Reinforced Policies;- Variations to the above groups of policies:<ul style="list-style-type: none">- Retirement Annuities;- Riders and other benefits;- Extra premiums;- How a policy grows (Bonuses).
<u>INTENDED FOR:</u>	All graded office staff who need to know about our product, without needing to do premium calculations.
<u>DURATION:</u>	1 day.

EVERYDAY AFRIKAANS FOR BEGINNERS

OBJECTIVE:

To enable the participants to acquire and indicate their understanding of a basic vocabulary of 500 Afrikaans words by:

(a) using these words with confidence in everyday conversation;

and

(b) providing, verbally and/or in writing, the most correct responses to various statements and questions.

COVERAGE:

- Vocabulary development in gradual stages
- Word usage exercises
- Sentence construction
- Written exercise

(All of the above will be done in a non-threatening and practical manner.)

INTENDED FOR:

Absolute beginners in Afrikaans.

DURATION:

The programme consists of fifteen sessions of 4 hours per session.

The participants are to attend two morning sessions per week.

SPEEDWRITING PROGRAMME

OBJECTIVE: To enable participants to write 70 to 90 words per minute without the burden of learning an entirely new alphabet.

COVERAGE: Introduction to speedwriting;
Exercises to facilitate speedwriting.

INTENDED FOR: People who in the performing of their jobs need to be able to develop a form of shorthand in order to write fast.

DURATION: This is a SELF study programme consisting of six sessions of approximately 1,5 hours each.

(Speedwriting practice in between sessions is of great importance).

JOB ENRICHMENT WORKSHOPS

- PURPOSE:
- To introduce managers to some of the recent research in the area of Work Motivation
 - To examine the principles of Job Design
 - To assess the effects of Job Enrichment application on the effectiveness of the managers' units

CONTENT: The first stage of the workshop covers the theoretical aspects of Motivation, Job Design and Job Enrichment. During the second stage, the participants work at enriching a specific job in their own units.

INTENDED FOR: Department Heads (or Local Secretaries), together with the Section Heads as well as their Senior Clerical Staff.

NATURE OF WORKSHOP:

It is essential that Department Heads or Local Secretaries attend the workshop with their senior staff and function as a team.

OFFICE MANAGEMENT DEVELOPMENT CENTRES (OMDC)

PURPOSE: To establish the management potential and development needs of candidates who are being considered for future promotion to management.

INTENDED FOR: a) OMDC I – Grades and Section Heads
b) OMDC II – Department Heads and Local Secretaries

CAREER DEVELOPMENT CENTRES (C.D.C)

<u>NATURE:</u>	This is a one-day assessment centre, held at a more junior level than the O.M.D.C.I.
<u>PURPOSE:</u>	The early identification of strengths and development areas which could be enhanced through on-the-job development. The centre is designed to aid participants in planning their careers.

OFFICE MANAGEMENT DEVELOPMENT WORKSHOPS

PURPOSE: To enable managers to design effective development plans for their subordinates.

CONTENTS: The following points are discussed:

- What is development?
- Why do we develop people?
- What is the case for development?
- What is the case against development?
- Who is responsible for this development and what role does the supervisor play?
- What aids are there to facilitate development?

The major part of the workshop is devoted to the practical aspects of designing development plans and the participant will be involved in drawing up an actual development programme for one of his subordinates.

INTENEDED FOR: All managers – ideally for Assistant Divisional Managers, Department Heads, Local Secretaries and Section Heads.

DURATION: One day.

OFFICE MANAGEMENT 1

PURPOSE:

To improve the manager's leadership back on the job by:

- Awakening an appreciation of the essential function of a leader
- Developing recognition of the functions of a leader through observing them in practise.
- Testing the manager's ability to apply these functions in practical situations
- Developing certain skills and behaviour necessary for non-the-job effectiveness

CONTENT:

Leadership, Communication, Motivation, Job Instruction, Job Relations, Counselling, Effective Speaking and Effective listening.

OFFICE MANAGEMENT 11

PURPOSE: The development of knowledge, skills and confidence a supervisor needs to successfully handle critical situations with employees in a one-to-one interaction situation.

CONTENT PART ONE:

Five modules aimed at

- 1.Improving Employee Performance
- 2 Improving Work Habits
- 3.Maintaining Improved Performance
- 4.Utilising Effective Follow-up Action
- 5.Utilising Effective Disciplinary Action

PART ONE

INTENDED FOR People who have to attend the Office Management One and Office Management Development Centre One.

CONTENT PART TWO:

Five modules aimed at:

- 1.Setting Performance Goals
- 2.Reviewing Performance Goals
- 3.Delegating Responsibility
- 4.Overcoming Resistance to Change
- 5.Motivating the Average Performer.

OFFICE MANAGEMENT 111

OBJECTIVES

- 1.To understand the grid styles of supervision
- 2.To experience productive 9 – 9 teamwork
- 3.To develop skills in using the grid approach to problem solving
- 4.To develop skills in diagnosing problems
- 5.To clarify one's own values and convictions as to what constitutes good supervision
- 6.To gain personal insight into one's own style of supervision.

COVERAGE:

- Identifying grid concepts
- Putting the grid to work in solving a problem
- Clarification of 9.1; 1,9; 1,1; 5.5; and 9.9 styles
- Checking convictions about effective supervision
- Evaluating personal grid attitudes
- Getting help on solving problems
- "How well can you use the grid?"

DURATION:

5 days

OFFICE MANAGEMENT 1V

PURPOSE

To increase the manager's effectiveness and that of his work unit.

- By identifying the essential functions performed by a manager
- By applying these functions to practical situations
- By exploring the motivational possibilities of job enrichment and testing the manager's ability to apply the principles to practical situations
- By examining the practical advantages of MBO and testing the manager's ability to implement this approach to on-the-job situations.
- By developing an awareness of the elements of sound team-work, through observing and applying them in practice.
- By generally improving the manager's communication and decision-making skills through practice

CONTENT:

Management, Leadership, Organisational Structure and Dynamics. Communication, Group/Team Work, Change, MBO, Case Studies, Decision Making, Job Enrichment and to a small degree, effective speaking.

MANAGEMENT V

PURPOSE:

To improve the Manager's total communication effectiveness

- By learning how to avoid communication misfires through analysis verbal and written transactions as they occur
- By understanding why people do what they do, and so communicate in more productive ways
- By improving the skill of giving and receiving performance feedback
- By learning how to handle conflict in a constructive manner

INTENDED FOR:

Assistant Divisional Managers, Department Heads and Local Secretaries.

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5. Henry Eilbert and I. Robert Parket, "The Corporate Responsibility Officer", Business Horizons, February, 1973.
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Life Assurance Society, held on 3rd December, 1981.

9. Mr F.J. Davin presentation of Old Mutual's Policies, Plans and Objectives to General and Divisional Managements given in Cape Town on 21 April, 1981, p.8.
10. Circular concerning clerical staff by the Personnel Manager, H.N. Groom, Mutualpark, 22 October, 1974.
11. Reports in Cape Times Newspaper, 23rd and 24th October, 1981.
12. Statement to Press signed by Mr H. N. Groom, Corporate Relations Manager, 26th October, 1981.
13. Davin, op. cit., p.7.
14. Statistics derived from records kept by Actuarial Valuations, Old Mutual Mutualpark, as at 28th January, 1983.

CHAPTER FOURTEEN

14. CONCLUSION

The implementation of any social responsibility policy or programme is a complex matter which has certain implications for the organisation. This study has attempted to investigate the institutionalisation of social responsibility in Old Mutual. Various conclusions have been drawn from the research findings and discussions with senior management.

Old Mutual has adapted to the changing expectations of society. A corporate relations department has evolved to identify and deal with these social changes. Old Mutual's corporate donations budget has increased substantially over the last five years but appeals for donations and assistance will inevitably always exceed available resources. The corporate donations budget will need to be revised constantly according to the company's corporate social responsibility policy. The range of recipients of financial aid and expertise has grown proportionately and areas of social concern have expanded from medical research to all levels of education and to agencies such as the Urban Foundation.

The identification of the parties who represent these areas of concern is conducted through a formalised planning network, but is generally restricted to senior management and is not evident throughout the organisation. This indicates that the evolution of the social responsibility concept is still in its early stages and has not been fully institutionalised into Old Mutual's operating procedures.

There is however, a large degree of harmony between the social expectations of the majority of Old Mutual managers and the presently conducted social programmes that were formulated by selected members of top management. The organisation's corporate image, as perceived by its managers, is very positive.

The following recommendations arise from shortcomings identified by the investigation.

Old Mutual should:

1. Include a definitive statement in its Business Plan on its stance in respect of social responsibility. This would define the Society's purpose, creed and philosophy in clear, unambiguous terms.
2. Include a statement outlining its social responsibility objectives in its Business Plan. This should be based on a comprehensive social audit comprising of an in depth analysis of its present programmes and identification of possible future opportunities and threats.
3. Publicise the social activities that it is pursuing, using a regulated advertising campaign.
4. Instigate an 'outreach policy' whereby all Old Mutual personnel are involved in establishing and maintaining contact with policyholders and the public in general, in order to gain a better awareness of the demands of society.
5. Integrate under one responsible authority all current social responsibility orientated activities. This would mean that the affirmative action programme, donations, the 'stakeholder liaison programme' and the secondments should represent a single 'social responsibility programme' for Old Mutual. The use of more sophisticated techniques for monitoring socio-political developments such as environmental scanning should be introduced.

The hierarchical position of the present Corporate Relations Manager should be upgraded to the level of assistant general manager.

6. Inclusion of an explanation of the concept of social responsibility and ethics in the induction programme for newly recruited personnel.

Finally, Old Mutual should consider the creation of an independent body to act as a 'clearing house' for social responsibility ideas of interest to the insurance society. This body could follow the pattern of the Centre of Corporate Public Involvement successfully established by the USA Life and Health Insurance Companies¹.

The implementation of the above recommendations would place Old Mutual in the vanguard of the social responsibility movement in the South African insurance industry.

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